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SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Sue Bierman, Commissioner
Michael Hardeman, Commissioner
Wilfred Hsu, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

AGENDA

REGULAR MEETING
3:00 P.M. TUESDAY, MARCH 14, 2006

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** - February 28, 2006 Meeting

3. **EXECUTIVE**

   A. Executive Director's Report

   - Showing of the documentary, "Shipping Out, the Story of America's Seafaring Women" - March 22, 2006 at 12 noon, in the Bayside Conference Room at Pier 1
   - Alcatraz Ferry Service Update

4. **FINANCE & ADMINISTRATION**

   A. Informational hearing of the Port's Draft Ten-Year Capital Plan.

5. **PLANNING & DEVELOPMENT**

   A. Request consent to the assignment of the Exclusive Right to Negotiate Agreement, as amended, for the Piers 27-31 Mixed-Use Recreation Project from SF Piers 27-31, LLC (a wholly owned subsidiary of The Mills Limited Partnership) to SF Piers LLC (whose

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members are Shorenstein Properties LLC and Farallon Capital Management, LLC), and request approval of a Mutual Release Agreement between the Port and The Mills Corporation, The Mills Limited Partnership and SF Piers 27-31, LLC (Site Location: The Embarcadero, between Francisco and Battery Streets) (Resolution No. 06-21)

B. Request approval of an Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC) for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero, between Francisco and Battery Streets) (Resolution No. 06-22)

6. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

  - Informational presentation and possible approval of the Public Trust Legislation (March 28, 2006)
  - Public Hearing to consider the placement of the USS Iowa on the waterfront (March 28, 2006)
  - Request approval of the terms and conditions in the standard form of lease for the fish processing facilities in Pier 45, Sheds B and D (March 28, 2006)
  - Request approval of Pier 39 Sublease Agreement to allow emergency egress from the north apron of Pier 35 (March 28, 2006)
  - Request approval of lease with Java House at Pier 40 (March 28, 2006)
  - Request approval of Broker Fees at the Port of San Francisco (March 28, 2006)
  - Request approval of boilerplate lease for Building 11 at Pier 70 (Noonan Building), 401 Terry Francois Boulevard (Pier 50 Administration Building) and the Agriculture Building (March 28, 2006)
  - Request approval of amendment of lease with Bay Delta Maritime at Pier 15 (April 11, 2006)
  - Request approval of Memorandum of Understanding with the Entertainment Commission regarding entertainment permits on Port property (April 11, 2006)
  - Request approval for the Port to enter into a Memorandum of Understanding with the Department of Parking and Traffic to allow the installation of bicycle lanes along Illinois Street (April 11, 2006)
  - Request authorization to award the Architectural/Engineering As-Needed Services Contract (April 11, 2006)
  - Request approval to issue a Request for Proposals for parking lots on Seawalls 324, 323, & 321, Davis St. & Broadway (April 11, 2006)
  - Informational presentation regarding the proposed event fees at the Port of San Francisco (April 11, 2006)
  - Informational presentation regarding the proposed rental rates for non-profit organization (April 11, 2006)
  - Informational presentation regarding the License Standard Operating Procedures at the Port of San Francisco (April 11, 2006)

- Request approval of lease amendment with Pacific Marine Dining Yachts at Pier 9 (April 11, 2006)
- Request authorization to award the Construction Support As-Needed Services Contract (April 11, 2006)
- Request approval of lease amendment with Inspection Services at Pier 26 (April 11, 2006)
- Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (April 25, 2006)
- Request approval of Jefferson Street Sidewalk and Airspace Encroachment Guidelines and Permit Fees (April 25, 2006)
- Request approval of the Port's Ten-Year Capital Plan (May 9, 2006)
- Request approval of a Memorandum of Understanding with the San Francisco Public Utilities Commission for installation of combustion turbine power facility near the end of 25th Street (also referred to as "Western Pacific Property") (Date to be determined)

7. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER pursuant to Government Code Section 54956.9 and Francisco Administrative Code Section 67.0(d). (Discussion and/or Action Item)

- As defendant (one case)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Seawall Lot 344 (at Amador Street)
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*American Storage: Paul Guidi

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both

An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at SWL 344 (Amador Street).

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. COMMUNICATIONS

Communications to the Port Commission received from February 23, 2006 to March 9, 2006:

- From Terry MacRae, Hornblower, letter to Marina Secchitano and Ray Shipway regarding Hornblower
- From Terry MacRae, Hornblower, regarding letter from the Inlandboatmen's Union of the Pacific and the International Organization of Masters, Mates and Pilots
- From Eula Walters regarding monument proposed by supporters of the Abraham Lincoln Brigade
- From Bill Stephens, Historic Ships Memorial at Pacific Square, article from the San Francisco Chronicle regarding San Francisco on Fox News: An Embarrassment of Riches and Jon Carroll's article regarding the USS Iowa
- From Bill Stephens, Historic Ships Memorial at Pacific Square, article from the San Francisco Examiner regarding the USS Iowa
- From Merylin Wong, Historic Ships Memorial at Pacific Square, article from the San Francisco Chronicle's Matier & Ross, regarding the USS Iowa
- From Merylin Wong, Historic Ships Memorial at Pacific Square, Letter to Editor regarding the USS Iowa

11. ADJOURNMENT

MARCH/APRIL 2006

CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
Mar. 14	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
Mar. 28	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
Apr. 11	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
Apr. 25	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine/

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

March 9, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Draft 10-year Capital Plan

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

Background

As required by the City's Administrative Code 2.30 – 2.31, Port staff developed a comprehensive 10-year plan to address the Port's outstanding capital needs which is due to the Mayor and Board of Supervisors on May 1, 2006. This Capital Plan assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them. Our goal in developing this Capital Plan is to provide a rational, transparent basis for pursuing public funding and public/private partnerships to address the Port's looming capital crisis. The Plan identifies what many of us who work in Port facilities know from day-to-day experience: Port facilities, many of which were built 100 years ago, are reaching the end of their useful life and require major upgrades.

The Capital Plan prioritizes proposed capital needs and spending in a manner that reflects the Port's institutional values, including; 1) ensuring the safety of the public and our tenants, 2) fiscal responsibility, and 3) fulfilling the Port's mission. The Capital Plan will also help the Port identify facilities and/or piers that may be subject to eventual closure as a result of insufficient funds.

This is the first time the Port has completed a comprehensive review of all its capital holdings. The Port will update this 10-year capital plan annually to reflect changes in the condition of the Port's facilities as well as changes in budget and financing assumptions.

This Print Covers Calendar Item No. 4A

Our purpose in publishing the draft Capital Plan is to begin a process of refinement in estimating the real costs associated with repairing Port facilities as well as to vet the funding options identified. To that end, we are:

- Setting up meetings with tenants who are responsible for repairs to their leased facilities to discuss the work.
- Presenting the draft 10-year Capital Plan to the Port's Citizen Advisory Committees for review and discussion.
- Further reviewing the Port facilities for which we don't have identified funding options to determine whether they could be good candidates for development projects.

In short, we are looking for input and are very open to suggested changes to the Port's10-year Capital Plan.

We plan to bring the final 10-year Capital Plan to the Port Commission for final review and approval at its April 25, 2006 meeting.

Methodology Used to Develop the 10-year Capital Plan

The Port's Capital Database quantifies the Port's outstanding capital needs, which consist primarily of repair and replacement work required due to deferred maintenance and code compliance (mostly seismic) work. The Port database only estimates the backlog of the Port's capital projects as of 2005, or the "catch up" work; it does not currently provide any estimate of the ongoing capital renewal requirements of the Port. Estimates of how much the Port will need every year to replace capital assets that have reached the end of their operable lifespan will be incorporated into the FY 2006-07 iteration of this plan. This Capital Plan does not include all of the costs associated with upgrading a Port facility to accommodate a new use. Rather, we assumed the Port's facilities' uses would remain the same.

In order to assess all of the Port's considerable capital holdings, Port staff developed a per-unit cost methodology for many facilities, which we describe in detail in the draft 10-year Capital Plan. By its nature, this is an imprecise (albeit accepted) method of estimating potential costs. Where more specific cost estimates were available, often from studies by private development partners or Port engineering reports, we adjusted for inflation and used those costs instead. Whether specific or per-unit, it is important to note that all cost estimates in this capital plan are for *planning purposes only*. Before the Port commences with letting contracts for any capital work, staff will follow the standard practice of preparing detailed engineering estimates suitable for issuing a request for construction bids to complete the work. In the case of work that will be undertaken at the Port's expense (and for which funding is available), this process will conclude with formal bid estimates obtained through the Port's competitive bidding process. Where leases require tenant responsibility for capital improvements, tenants will negotiate directly with contractors to obtain the best price.

We chose to represent the Port's Capital Plan in current dollars (2006), both because the City is using this approach, and because it is standard practice, generally speaking, for long-term capital planning. Furthermore, given the current lack of funding and a myriad of other constraints, it would be difficult to escalate our Plan with any credibility.

10-year Capital Plan Findings and Recommendations

This review of the Port's capital assets resulted in the development of 673 capital projects, totaling $1.1 billion, primarily in needed seismic and deferred maintenance work.

The table below shows the Port's need distributed among the six regions of the Port waterfront in order of greatest need:

Region	Amount Needed	%
Southern	$406,145,000	35
Northeast	249,231,000	22
South Beach	230,200,000	20
China Basin	109,706,000	10
Fisherman's Wharf	64,306,000	6
Ferry Building	45,994,000	4
Portwide	38,000,000	3
Other	1,389,000	< 1
Total	**$1,144,970,000**	**100%**

As illustrated above, over a third of the Port's over all need lies in its Southern waterfront. This is due to the very substantial need of the Pier 70 area, which lies within the Southern waterfront. Specifically, the Port's estimate for the Pier 70 area totals approximately $252 million, or about 22 percent of the Port's overall need.

The Port's 10-year Capital Plan identifies $410,691,502 million of potential funding from various sources including Port tenants, the Port's operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds. The table below illustrates the potential amounts available from identified funding sources:

Funding Source	Total 10-year Amount	Percent of Total
Tenant Responsibility	$30,964,907	3%
Port Operating Budget	86,563,595	8%
Port Revenue Bonds	85,900,000	8%
Development Projects	189,763,000	17%
Infrastructure Financing District	17,500,000	2%
Unfunded	734,276,498	64%
Total	**$1,144,968,000**	**100%**

Thus, approximately $734.3 million of the $1.1 billion in identified need are unfunded projects. These are projects for which the Port (1) does not expect to have sufficient funds to cover the estimated costs to repair and upgrade the facility, and (2) has not issued an RFP or entered into negotiations with a developer to finance the upgrades. The draft Capital Plan identifies several

funding options to address this unmet need such as development projects and grant opportunities. The Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and the Bay Conservation and Development Corporation (BCDC).

In short, the Port will be faced with the possibility of closing up to six piers that have the largest unfunded balances (Piers 26, 28, 35, 38, 50, 54, and 80) in the future if it fails to secure public funding and/or development projects to repair and replace the deteriorated infrastructure. The Port is also close to losing the historic buildings at Pier 70 due to their frail condition.

Conclusion

The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance. As described in this 10-year Capital Plan, the Port has identified $1.1 billion of repair, replacement and seismic upgrades required for the continued use of its facilities. Since these estimates are in 2006 dollars, this amount will grow with the passage of time. The 10-year Capital Plan identifies $410.7 million as funded through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district. While this capital plan also identifies policy options that the Port can pursue to fund a portion of the remaining $734.3 million in unfunded projects, the Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and BCDC. In the Port's recent experience, these hurdles can be daunting.

Prepared by: Tina Olson, Deputy Director
Finance & Administration

PORT OF SAN FRANCISCO

MEMORANDUM

March 8, 2006

TO: **MEMBERS, PORT COMMISSION**
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Request consent to the assignment of the Exclusive Right to Negotiate Agreement, as amended, for the Piers 27-31 Mixed-Use Recreation Project from SF Piers 27-31, LLC (a wholly owned subsidiary of The Mills Limited Partnership) to SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC), and request approval of a Mutual Release Agreement between the Port and The Mills Corporation, The Mills Limited Partnership and SF Piers 27-31, LLC (Site Location: The Embarcadero, between Francisco and Battery Streets)

DIRECTOR'S RECOMMENDATIONS: APPROVE THE PROPOSED MUTUAL RELEASE AGREEMENT AND CONSENT TO THE PROPOSED ASSIGNMENT

Background

On August 15, 2000, the Port Commission issued an amended request for proposals for the development of the Piers 27-31 Mixed-Use Recreation Project as a public-private partnership ("RFP").

Pursuant to the RFP, the Port Commission on April 18, 2001 awarded the exclusive right to negotiate a development agreement for the Project to SF Piers 27-31, LLC, a wholly owned subsidiary of The Mills Limited Partnership, subject to satisfaction of certain conditions. The Port and The Mills executed an Exclusive Right to Negotiate agreement ("ERN") on June 13, 2001. The ERN has subsequently been amended, and its term currently expires on March 31, 2006.

This Print Covers Calendar Item No. 5A

Pursuant to Chapter 29 of the City's Administrative Code, the Port on September 27, 2005 submitted to the Board of Supervisors a Fiscal Responsibility and Feasibility Report regarding the Project, and a proposed resolution for the Board finding the Project to be fiscally responsible and feasible. However, on October 18, 2005, the Board of Supervisors voted not to adopt the Port's proposed resolution by a 9-1 vote.

Proposed Assignment

In January 2006, the Assignor requested that the Port consent to the assignment of the Assignor's interest in the ENA to a new entity formed by Shorenstein Properties LLC and Farallon Capital Management, LLC ("Shorenstein/Farallon"). In subsequent meetings between Shorenstein/Farallon and Port staff, Shorenstein/Farallon confirmed its desire to assume the Assignor's interest in the ENA. The specific assignee would be SF Piers LLC ("Assignee"), of which Shorenstein Properties LLC and Farallon Capital Management, LLC are both 50% owners. In addition, Shorenstein/Farallon confirmed their commitment to achieving the goals and objectives stated in the RFP and to the understandings contained in the Development Memorandum with the Assignor. Shorenstein/Farallon also expressed their desire to make modifications to the Project to address community and Board of Supervisors concerns with the Project. Finally, Shorenstein/Farallon requested an extension of the ENA for a sufficient time period to make these modifications, to complete the environmental review and to complete the negotiation and approval of the transaction documents by the Port Commission and the Board of Supervisors.

The ENA provides that the Assignor cannot assign its interest in the ENA without the consent of the Port Commission, which determination is to be made by the Port Commission in its sole discretion. Fundamental factors in making this determination include: (1) the ability and experience of the Assignee and its development team in successfully developing and operating facilities similar to the Project; (2) the financial capacity and capability of the Assignee to successfully undertake the Project; (3) the commitment of the Assignee to the goals and objectives of the RFP; and (4) the terms of the assignment.

1. Experience of Assignee. At the request of Port staff, the Assignee submitted a description of the development team and its experience that was consistent with the submittal requirements contained in the RFP. In addition to the two owners of the Assignee, the development team would include Catellus Development Group, as project manager, and an architect and engineering team made up of experienced consultants familiar with the Project. Port staff determined that the proposed development team has the requisite experience to undertake the development and operation of the Project.

2. Financial Capacity. Because Shorenstein/Farallon are both privately-held equity firms, their financial statements are not publicly-available documents. However, Port staff was able to review, on a confidential basis, financial statements and credit reports of Shorenstein/Farallon that were consistent with the submittal requirements contained in the RFP. Again, Port staff determined that the proposed owners of the Assignee have the financial capacity and capability to carry out the development and operation of the Project.

3. Commitment to the RFP Goals and Objectives. The Assignee has confirmed its commitment to achieving the goals and objectives stated in the RFP and to the understandings contained in the Development Memorandum as stated in the Project Requirements that are attached as Exhibit B to the Amended and Restated Exclusive Negotiation Agreement, which is discussed in Agenda Item 5B for the March 14, 2006 Port Commission meeting.

4. Assignment Terms. The Assignment, a copy of which is available from the Port Commission Secretary upon request, provides that Assignor assigns to Assignee all of Assignor's right, title and interest to the ENA and related documents. The Assignment provides for consideration to be paid by Assignee to Assignor as follows:

   a. 1st payment to Assignor - $1.0 Million upon execution of the final participation agreement, and Port Commission consent to the Assignment and approval of amendments to the ENA acceptable to the Assignee;

   b. 2nd payment - $1.0 Million upon certified environmental impact report;

   c. 3rd payment - $1.5 Million upon all other regulatory approvals;

   d. 4th payment - $1.5 Million upon commencement of construction; and

   e. Subordinate participation in project cash flow up to $4 Million maximum.

The Assignment also contains a number of other provisions between Assignor and Assignee, including responsibility for expenses of the assignment, representations and warranties, release of claims, covenants, restrictions on further assignment or transfer, indemnifications, and listings of liabilities and assumed agreements. Included in Section 7 (e) of the Assignment are the following agreements:

> "From and after the Effective Date, Assignee or its Affiliate shall serve as development manager for the Project. As of the Effective Date, Assignor and its affiliates shall have (i) no further development management or other role in the Project, (ii) no ongoing role with respect to the Project, and (iii) no reversionary rights to develop, or participate in the development of, the Project."

As a condition for the Port staff recommending that the Port Commission consent to the proposed assignment, Port staff required that the Assignor enter into a Mutual Release Agreement with the Port. This Mutual Release Agreement will release and waive claims between the City and County of San Francisco, the Port, The Mills Corporation, The Mills Limited Partnership, and SF Piers 27-31, LLC in connection with the Project. The Port's release will exclude certain claims that are described in the Mutual Release Agreement, including claims arising under the permit to enter the Project site and the lease for the temporary soccer field on the Project site - both with SF Piers 27-31, LLC. The effective date for this mutual release will be the later of: (a) the Port Commission's adoption of resolutions consenting to the Assignment, approval of the Mutual Release Agreement, and approval of amendments to the ENA; or (b) full execution of these three documents by all the parties. The Mills Corporation, The Mills Limited Partnership and

SF Piers 27-31, LLC have signed and delivered this Mutual Release Agreement to the Port.

Staff Recommendation

Port Staff recommends that the Port Commission:

1. Consent to the proposed assignment of the ENA for the Project, as described above; and

2. Approve the Mutual Release Agreement, as described above.

Prepared by: Kirk Bennett
Assistant Deputy Director,
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-21

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, By a Request for Proposals dated November 12, 1999, including a subsequent Amended Request for Proposals dated August 31, 2000, Addendum No. 1 dated October 2, 2000, and Addendum No. 2 dated November 17, 2000 (collectively, the "RFP"), the Port solicited proposals from qualified parties to lease an approximately 19-acre complex of piers under the Port's jurisdiction located at Piers 27, 29, 29-1/2 and 31, in the City and County of San Francisco, and to develop and operate on the property a mixed-use recreation project (the "Project"); and

WHEREAS, The Port Commission at its April 18, 2001 meeting by Resolution No. 01-30, awarded the opportunity to enter into an Exclusive Right to Negotiate agreement for the lease of the site for the Project to SF Piers 27-31, LLC ("Assignor"), conditioned upon Assignor satisfying certain conditions, and authorized and directed the Executive Director of the Port, or his designee, to enter into an Exclusive Right to Negotiate; and

WHEREAS, The Port and Assignor entered into an Exclusive Right to Negotiate agreement, dated as of June 13, 2001, as modified by the terms of letters dated December 12, 2001, March 14, 2002 and June 11, 2002, the First Amendment to Exclusive Right to Negotiate dated as of November 27, 2002, the Second Amendment to Exclusive Right to Negotiate dated as of January 13, 2004, the terms of the letter dated June 24, 2004 and Port Commission Resolution Nos. 04-32, 04-50 and 04-83, and the Third Amendment to Exclusive Right to Negotiate dated as of December 15, 2004 (collectively, the "ERN"); and

WHEREAS, The term of the ERN is due to expire on March 31, 2006; and

WHEREAS, Assignor has requested the Port Commission's approval of an assignment of the ERN and related documents to SF Piers LLC, a Delaware limited liability company ("Assignee"), under the terms of the Assignment between Assignor and Assignee, as described in the Memorandum to Port Commissioners dated March 8, 2006 for Calendar Item No. 5A (the "Staff Report") (copies of the Assignment and the Staff Report are on file with the Secretary for the Port Commission and incorporated herein by this reference); and

WHEREAS, Section 6 of the ERN provides that the ERN is non-assignable without the prior written consent of the Port, which may be withheld in the Port's sole discretion; and

WHEREAS, Port staff have undertaken a diligent review of Assignee's qualifications, financial capacity and experience, and based on their conclusion that Assignee meets the qualification requirements set forth in the RFP, Port staff recommended in the Staff Report that the Port Commission approve the assignment of the ERN to Assignee, subject to the condition that Assignor waive and release all present and future claims against the Port and the City with respect to the Project; now, therefore, be it

RESOLVED, That for the reasons set forth in the Staff Report, the Port Commission hereby approves the assignment of the ENA to Assignee, subject to the condition that Assignor shall waive and release all present and future claims against the Port and the City relating to the Project in accordance with the terms and conditions of the Mutual Release Agreement that is described in the Staff Report (the "Mutual Release") (a copy of which is on file with the Secretary of the Port Commission and incorporated herein by this reference); and be it further

RESOLVED, That the Port Commission hereby agrees to waive and release certain present and future claims against Assignor relating to the Project in accordance with the terms and conditions of the Mutual Release; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of a consent to the Assignment, the Mutual Release and such other documents in consultation with the City Attorney, as are necessary to implement the intent of this Resolution; and be it further

RESOLVED, That the Port shall not enter into a final lease or lease disposition and development agreement or related documents for the Project, and the Port Commission shall not take any discretionary actions committing it to the Project, until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 14, 2006.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

March 8, 2006

TO: **MEMBERS, PORT COMMISSION**
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of an Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC) for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero, between Francisco and Battery Streets)

DIRECTOR'S RECOMMENDATIONS: APPROVE THE PROPOSED AMENDED AND RESTATED EXCLUSIVE NEGOTIATION AGREEMENT

Action under this item is conditioned upon the Port Commission having first adopted Resolution 06-21, pursuant to Agenda Item 5A for the March 14, 2006 Port Commission Meeting. Such resolution would consent to the assignment of the Exclusive Right to Negotiate agreement, as amended, for the Piers 27-31 Mixed-Use Recreation Project ("ERN") from SF Piers 27-31, LLC (a wholly owned subsidiary of The Mills Limited Partnership) to SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC). This item relates to proposed amendments to the ERN - including extension of the ERN - negotiated between Port staff and Shorenstein Properties LLC and Farallon Capital Management, LLC ("Shorenstein/Farallon") on behalf of SF Piers LLC.

Background

On August 15, 2000, the Port Commission issued an amended request for proposals for the development of the Piers 27-31 Mixed-Use Recreation Project as a public-private partnership ("RFP").

Pursuant to the RFP, the Port Commission on April 18, 2001 awarded the exclusive right to negotiate a development agreement for the Project to SF Piers 27-31, LLC, a wholly

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owned subsidiary of The Mills Limited Partnership, subject to satisfaction of certain conditions. The Port and The Mills executed an Exclusive Right to Negotiate agreement ("ERN") on June 13, 2001. The ERN has subsequently been amended, and its term currently expires on March 31, 2006.

In January 2006, the Mills proposed assignment of its interest in the ERN to Shorenstein/Farallon. In meetings between Shorenstein/Farallon and Port staff, Shorenstein/Farallon indicated their commitment to:

1. Achieving the goals and objectives stated in the RFP; and

2. The understandings contained in the Development Memorandum with SF Piers 27-31, LLC ("Assignor"), dated December 15, 2004 (as amended) for the Piers 27-31 Mixed-Use Recreation Project ("Project") that indicated the terms agreed upon by the Port and the Assignor regarding the Project, including general conditions, design and development guidelines, terms of the lease disposition and development agreement ("LDDA"), and lease terms.

In these meetings, Shorenstein/Farallon also expressed their desire to make modifications to the Project to address community and Board of Supervisor concerns about the Project. These modifications would include changes to the project description and Site plan. Therefore, Shorenstein/Farallon requested that the ERN be extended to allow a sufficient time period to:

1. Make changes to the Project;

2. Obtain endorsement of these changes by the Port Commission and the Board of Supervisors;

3. Negotiate and finalize the transaction documents, including the LDDA and lease;

4. Complete environmental review of the revised Project; and

5. Seek approval of the transaction documents by the Port Commission and the Board of Supervisors.

Proposed Amendments to Exclusive Right to Negotiate Agreement

Shorenstein/Farallon, on behalf of SF Piers LLC ("Assignee"), and Port staff have negotiated proposed amendments to the ERN as outlined in the table below, which have been incorporated into an Amended and Restated Exclusive Negotiation Agreement ("Amended ENA").

Initial Term	Six-month period from 4/1/06 – 9/30/06, within which Assignee will seek Port Commission endorsement of a Revised Development Memorandum
First Extension	Upon satisfaction of Initial Performance Benchmarks, including the Port Commission endorsement resolution, the Amended ENA term will be extended from the date of the Port Commission endorsement resolution to the earlier

	of: (1) execution of the Revised Development Memorandum; or (2) 120 days (plus certain legal notice delays) from the date of the Port Commission endorsement resolution.
Second Extension	Upon obtaining the Board of Supervisors' endorsement of the Revised Development Memorandum within the First Extension, the Amended ENA term will be extended 18 months.
Negotiating Fees	• $25,000 prior to Port execution of the Amended ENA • $50,000 upon adoption of the Port Commission endorsement resolution • $50,000 upon adoption of the Board of Supervisors endorsement resolution • $50,000 upon Planning Commission certification of the environmental impact report • $75,000 upon execution of the LDDA
Transaction Costs	Assignee will reimburse Port for staff time, legal fees and outside consultants fees incurred by Port regarding the Project, to be paid quarterly.
Project Requirements	During the initial 6-month term of the Amended ENA, Assignee and Port will negotiate a Revised Development Memorandum whose provisions will be consistent with the basic principles and terms of the following Project Requirements: • Revised Project will achieve the Port's goals and objectives stated in the RFP. • Active Recreation uses will be operated by an experienced Active Recreation Operator and will provide affordable, pay-as-you-go active recreation activities. • The terms and financial benefits will be equivalent or more favorable to the Port than the terms in the existing Development Memorandum. • For purposes of participation rent to the Port, the calculation of "Development Costs" will not include consideration paid by the Assignee to Assignor for the assignment of the ERN, but will include the lesser of: the legitimate, direct predevelopment costs for the Project incurred by Assignor between April 18, 2001 and March 31, 2006; or $21 Million. • Assignee will provide a satisfactory guarantee of completion. • The Project will be constructed in accordance with the Secretary of Interior Standards for Historic

	Rehabilitation. • The use program will include the following Required Uses: Active Recreation uses on a majority of the programmed space; a programmed and improved Marine Sports Basin similar to that described in the existing Development Memorandum; Public Access and Open Space on no less than 35% of the Site footprint (not including water areas and the Northeast Wharf Plaza as defined in the BCDC Special Area Plan and the Port's Waterfront Land Use Plan); a water taxi landing; and transient berthing for recreational boats in the Marine Sports Basin. (The Project Requirements are described in more detail in Exhibit B of the proposed Amended ENA.)
Endorsement of Revised Development Memorandum by Board of Supervisors	As described below under Performance Benchmarks, upon the Port Commission endorsing a Revised Development Memorandum, the Port will submit the Revised Development Memorandum to the Board of Supervisors for its review and endorsement; if not endorsed by the Board and executed by the end of the First Extension, then either: the Amended ENA will terminate, or the Port Commission, in its sole discretion, may extend the term of the Amended ENA.
Performance Benchmarks	Initial Performance Benchmarks: • Monthly progress reports • Proposed plan of development, development schedule, community outreach program, trust consistency proposal, and regulatory approval strategy by July 1, 2006. • Annual budget for Transaction Costs by August 1, 2006. • Letter of intent with Active Recreation Operator by September 1, 2006. • Port Commission endorsement resolution regarding Revised Development Memorandum by September 30, 2006. Board Endorsement Resolution: Within 120 days of Port Commission endorsement resolution. Additional Performance Benchmarks: • Implementation of community outreach program. • Submit revised environmental review application within 30 days of the Board endorsement resolution. • Schematic Design Drawings within 120 days of the

	Board endorsement resolution. • Obtain environmental review certification, operating agreement/sublease with the Active Recreation Operator, and agreement on LDDA and lease by expiration of the Amended ENA. (The Performance Benchmarks are described in more detail in Exhibit C of the proposed Amended ENA.)
Public Trust Consistency	Assignee and Port will work together in a process for determination of the public trust consistency for the Project, which may include regular discussions with the staffs of BCDC and the State Lands Commission.
Press Releases/Conferences	Assignee will not issue press releases about the Project without prior consent of the Port, and will not hold press conferences about the Project without giving the Port the opportunity to participate.
Ballot Measures	Assignee will not initiate any ballot measure regarding the Project without the Port's prior consent.
Community Outreach	Assignee shall conduct a community outreach program approved by the Port to community groups, stakeholders and regulatory agencies. Assignee agrees and acknowledges that maintaining professional working relations with Port's constituents, the public and regulatory agencies is critical to implementing the Port's management obligations.
Project Materials	All studies, reports, plans, drawings and permits pertaining to the substructure of Piers 27-31 will be assigned to the Port if Assignee withdraws from or abandons the Project or the Amended ENA is terminated. Assignee will also provide the Port with copies of all other project materials prepared regarding the Project for Assignee by architects, engineers and other consultants.
Incurable Defaults	The following are considered incurable defaults: failure by Assignee to obtain Port Commission endorsement of the Revised Development Memorandum by the end of the Initial Term; failure by Assignee to obtain Board endorsement of the Revised Development Memorandum by the end of the First Extension; assignment of the Amended ENA by Assignee without the prior consent of Port; Assignee pursuing a ballot measure without the prior consent of Port; violation of the campaign contributions law by Assignee.

Assignee's Remedies	If Port breaches the Amended ENA, Assignee has the option to terminate the Amended ENA and receive a refund of Negotiating Fees (as liquidated damages) or seek specific performance of the Amended ENA. The Amended ENA includes mutual releases for the period prior to the term of the Amended ENA.

Staff Recommendation

Port Staff recommends that the Port Commission approve the Amended ENA as described above.

Prepared by: Kirk Bennett, Assistant Deputy Director
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-22

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, By a Request for Proposals dated November 12, 1999, including a subsequent Amended Request for Proposals dated August 31, 2000, Addendum No. 1 dated October 2, 2000, and Addendum No. 2 dated November 17, 2000 (collectively, the "RFP"), the Port solicited proposals from qualified parties to lease an approximately 19-acre complex of piers under the Port's jurisdiction located at Piers 27, 29, 29-1/2 and 31, in the City and County of San Francisco, and to develop and operate on the property a mixed-use recreation project (the "Project"); and

WHEREAS, The Port Commission at its April 18, 2001 meeting by Resolution No. 01-30, awarded the opportunity to enter into an Exclusive Right to Negotiate agreement for the lease of the site for the Project to SF Piers 27-31, LLC ("Assignor"), conditioned upon Assignor satisfying certain conditions, and authorized and directed the Executive Director of the Port, or his designee, to enter into an Exclusive Right to Negotiate; and

WHEREAS, Port and Assignor entered into an Exclusive Right to Negotiate agreement, dated as of June 13, 2001, as modified by the terms of letters dated December 12, 2001, March 14, 2002 and June 11, 2002, the First Amendment to Exclusive Right to Negotiate dated as of November 27, 2002, the Second Amendment to Exclusive Right to Negotiate dated as of January 13, 2004, the terms of the letter dated June 24, 2004 and Port Commission Resolution Nos. 04-32, 04-50 and 04-83, and the Third Amendment to Exclusive Right to Negotiate dated as of December 15, 2004 (collectively, the "ERN"); and

WHEREAS, The Port Commission at its November 9, 2004 meeting by Resolution No. 04-95 endorsed the Revised Development Memorandum for the Project, including a Revised Preferred Alternative Project and financial terms; and

WHEREAS, The Port Commission at its June 14, 2005 meeting by Resolution No. 05-40 endorsed certain amendments to the Revised Development Memorandum and the Revised Preferred Alternative Project; and

WHEREAS, The Port Commission at its March 14, 2006 meeting by Resolution No. 06-21, approved the assignment of the ERN and related documents from Assignor to SF Piers LLC, a Delaware limited liability company ("Assignee"); and

WHEREAS, The term of the ERN is due to expire on March 31, 2006; and

WHEREAS, Assignee has proposed further changes to the Revised Development Memorandum and the Revised Preferred Alternative Project to address issues and concerns raised by various stakeholders during the public approval process, and has requested an extension of the ERN term to negotiate such revisions; and

WHEREAS, Assignee, the Executive Director and Port staff have negotiated terms for an Amended and Restated Exclusive Negotiation Agreement ("Amended ENA") that amends and restates the ERN in its entirety, extends the term through September 30, 2006, and upon satisfaction of certain Performance Benchmarks (as defined in the Amended ENA) by such date, allows an additional extension of the ENA through 2007 and into 2008, with certain other Performance Benchmarks for Assignee during the extended term, as described in the Memorandum to Port Commissioners dated March 8, 2006 for Calendar Item No. 5B (the "Staff Report") (copies of the Amended ENA and the Staff Report are on file with the Secretary for the Port Commission and incorporated herein by this reference); now, therefore, be it

RESOLVED, That the Port Commission hereby approves the terms of the Amended ENA and authorizes and directs the Executive Director of the Port, or her designee, to execute the Amended ENA, with the understanding that the final terms and conditions of any lease disposition and development agreement, lease or related documents negotiated between the Port and Assignee during the exclusive negotiation period will be subject to the approval of the Port Commission; and be it further

RESOLVED, That entering into the Amended ENA does not commit the Port Commission to approval of a final lease, lease disposition and development agreement or related documents, and that the Port Commission shall not take any discretionary actions committing it to the Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA); and be it further

RESOLVED, That the Port Commission, pursuant to Section 7.2 of the Amended ENA, hereby authorizes the Executive Director of the Port, or her designee, to waive or extend the times for performance of the Performance Benchmarks (as defined in the Amended ENA), including, without limitation, the right to condition such waiver or extension on additional Performance Benchmarks or other conditions required by the Port in its sole discretion, provided that such extension does not extend the term of the Amended ENA; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of documents in consultation with the City Attorney, as are necessary to implement the intent of this Resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 14, 2006.

_____
Secretary

SAN FRANCISCO
PORT COMMISSION

MARCH 14, 2006
MINUTES OF THE MEETING

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MEMBERS, PORT COMMISSION

HON. ANN LAZARUS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. SUE BIERMAN
HON. MICHAEL HARDEMAN
HON. WILFRED HSU

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
MARCH 14, 2006

1. CALL TO ORDER / ROLL CALL

Commission President Ann Lazarus called the meeting to order at 3:05 p.m. The following Commissioners were present: Ann Lazarus, Kimberly Brandon, Sue Bierman, Michael Hardeman and Wilfred Hsu.

2. APPROVAL OF MINUTES - February 28, 2006 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; the minutes of the February 28, 2006 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report. Director Monique Moyer reported the following:

- Showing of the documentary, "Shipping Out, the Story of America's Seafaring Women" - March 22, 2006 at 12 noon, in the Bayside Conference Room at Pier 1. As previously reported, the story of America's Seafaring Women was first shown at the World Trade Club in late February. Many people were unable to attend so Port staff is going to have a brown bag lunch on March 22, 2006 and show the movie again which corresponds with Women's Month in March and invited the Commission and the public to come and see it. It will be shown in the Bayside Conference Room at Pier 1. It's the first television documentary to highlight the history of women and the seas and will appear on PBS station for Women's History Month. It was produced by Maria Brooks, an Oakland Native. The Port of San Francisco was one of the sponsors. It highlighted American seafaring women from across the country including several in the San Francisco area, including Mary Culnane of the Water Transit Authority and Captain Lynn Korwatch of Marine Exchange.

- Alcatraz Ferry Service Update: On March 6, 2006, the Federal Court of Appeals upheld the National Park Service's (NPS) selection of Hornblower for the Alcatraz concession contract. Subsequently, on March 8, 2006, the NPS filed the contract with Congress for a 60-day cooling-off period. NPS had previously noticed Blue & Gold, the current service provider that the concession will be moving to Hornblower effective May 1, 2006. On March 13, 2006, Blue & Gold issued layoff notices to all 358 of their employees effective May 9, 2006. Port staff continues to work with the Mayor's office, our federal representatives, the NPS and

Hornblower about how this can all be achieved happily for everyone but we have nothing yet to report.

4. FINANCE & ADMINISTRATION

A. Informational hearing of the Port's Draft Ten-Year Capital Plan.

Tina Olson, Deputy Director of Finance and Administration, indicated that Port staff developed a comprehensive 10-year plan to address the Port's outstanding capital needs. The capital plan assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as other capital assets including drydocks, cargo cranes and heavy equipment used by the Port's Maintenance division. Our goal in developing the Capital Plan is to provide a rational, transparent basis for pursuing public funding and public/private partnerships to address the Port's looming capital crisis as well as prioritizing capital spending in a manner that reflects the Port's institutional values.

Staff has identified 656 capital projects in the capital plan; almost all of them require substructure repair, superstructure repair, substructure seismic upgrade and superstructure upgrade. Staff didn't try to identify any upgrades or changes of use in the Port's property. Staff assumed that the Port's property would continue to be used as it currently is so it doesn't degrade and will be eventually demolished or removed. The report used specific engineering or developer estimates where available and otherwise used per-unit costs developed by Port staff, based on prior Port projects. All estimates for capital projects were screened through collaborative processes including Port Divisions. Estimates made for capital planning purposes are imprecise by nature. The estimates in the report are largely suitable for planning purposes only. The Port's model captures the backlog of deferred capital work. It does not capture capital renewal costs, which are the cost of replacing properly maintained assets at the end of their useable life. Capital renewal costs will be incorporated into the update of the plan in 2007.

The review of the Port's capital assets resulted in the development of the capital projects, totaling $1.1 billion, primarily in needed seismic and deferred maintenance work: superstructures are 20%; substructures 37%. Pier 70 alone is 22%. Over a third of the Port's overall need lies in its Southern waterfront. This is due to the very substantial need of the Pier 70 area. The Port's estimate for the Pier 70 area totals approximately $252 million, or about 22 percent of the Port's overall need. Not classified are some of the projects such as the tunnel notches that are required in order for the Port to get more container trains out to Pier 80, a $20 million project. There are other projects that do not fit into any of the categories.

Virtually all of Port property is sitting on a high-risk liquefaction zone which is the reason why we included on our capital plan seismic upgrades for all of our facilities that have not been upgraded to date. We have identified only 5 or 6 facilities that have been upgraded to current seismic standards. The rest have not been upgraded. It is a

concern to the staff particularly if a large magnitude earthquake occurs close enough to San Francisco, it could have serious detrimental effects on the Port. As Monique often states in her presentations, the problems on Port property aren't always apparent from the street. As you drive down the street, the bulkhead buildings look fine. The problems are hidden beneath the piers where very few people see them unless they're on a boat underneath the piers. There are holes and piles that are falling apart.

After staff identified all the needs, they went through a process of figuring out how much funds could be programmed in ten years. Staff considered the capital work associated with a property that is the tenant's responsibility if that tenant is in a long-term lease agreement, 10 years or longer remaining in a lease obligation. Staff assumed spending $8.8 million a year on average on our operating budget for capital projects; $3 million alone is for dredging work. There have been peaks and valleys in the past ten years. It looks to be reasonable, a bit of a stretch but something that staff can plan towards and probably meet the goal.

The Port is going to retire its existing revenue bond debt by 2010/11. It will free up about $4.7 million that we could use to issue additional debt. She also decided to give the Port a financial goal of a little over $3 million to apply toward additional debt which gives us $11 million. It's a bit of a stretch but it's a reasonable goal for us to have. Against that, we could issue $85.9 million in revenue bonds.

The development projects that are currently underway are: Piers 15-17 (Exploratorium project), Piers 27-31, and Piers 30-32 (cruise terminal project). In anticipation of the Port's ten year capital plan, the Port sought State legislation through Senator Migden's office authorizing the Port to establish an Infrastructure Financing District (IFD), an alternate method of collecting property tax increment under State law, which does not require a finding of blight. IFD law allows public agencies to finance public infrastructure improvements by capturing and bonding against tax increment generated in the district after it is established. The City collects possessory interest taxes from Port tenants, in lieu of property taxes. Any growth in that tax base would come to the Port. We could either use it directly for projects or issue debt against it. We assumed we'll be issuing debts so we can capture some of the future revenue stream.

Ms. Olson showed a slide of Port properties indicating where the funding source would be coming from: Tenant Responsibility, Port Operating budget, Revenue Bonds, Public-Private Development Deal, Infrastructure Finance District and in most cases no funding source identified.

The Port has $1.1 billion in capital needs. Unfunded $734.3 million; Port tenant responsibility $30.9 million; operating budget $86.6 million; Port Revenue Bonds $85.9; Development Projects $189.8 million; Infrastructure Financing District $17.5 million.

Piers 39-41 are tenant responsibilities. Pier 43-43 ½ have been identified as a grant fund project. Pier 45 is a grant opportunity as well. We're hoping that the state infrastructure bond would permit maritime uses. There would be maritime facilities that would be eligible under that bond such as Pier 45, Pier 35 and Pier 80. The current

infrastructure bond does not include the Port of San Francisco's facilities; it's only for the transportation element of ports. We're hoping that bond gets killed and we have a chance to get on the November ballot. Piers 27-31 which is a development project as well as Pier 15-17. Pier 9 and 19 are for revenue bonds. Our basis for deciding which facilities would be funded with revenue bonds is facilities that are currently profitable. Pier 9 is one of our most profitable facilities. Investing Port funds would have a good return for the Port. Another one was whether the facility had recently low cost to do the upgrade and also the leases are due to expire within the next ten years so it gives us an opportunity to re-lease it a higher per square footage amount particularly if we've made some investments in it. Piers 23, 25 and 33 are unfunded. Pier 33 could be a great development project if we could relocate the fish processing tenants to Pier 45. Pier 35 would make a good development project because of its location and if it continues to be a cruise terminal even when the new one comes on line.

Staff has identified the Agriculture building as a good development project. Our as-needed consultant is analyzing the needs for the seismic upgrade as well as evaluating its uses and its potential for a developer to fix the building and to re-lease it. The Water Transit Authority has expressed interest in 5,000 square feet of office space in the Agriculture Building and the potential for a transportation center on the first floor that would provide transit services for their facilities. They could leverage some of their grant funds as well.

The Pier ½ parking lot is a demolition project that we currently don't have an identified source of funding. Pier 22 ½ houses the fire department. The City has agreed to pick up the cost for that. Pier 26 would make a good development project since we've always put it in as a development opportunity. Pier 28 would not be a good development opportunity because of the costs to do the repairs and given that it's a smaller square footage. Pier 30-32 is the cruise terminal development project. Pier 36 is slated to be demolished and we have money in the budget. Pier 38 has not been identified as a development opportunity mainly because of the size of the facility and the cost to do the substructure, superstructure repair and seismic upgrade work. Pier 40 and the marina are under the Redevelopment Agency and they are responsible for that work.

Pier 48 has been identified as an excellent development opportunity because it only needs about $10 million worth of work. It's in a great location near Mission Bay and the ballpark. Pier 50 houses the Port's Maintenance facility. Therefore, it is a high priority for the Port to at least repair it such that it can continue to provide that function. We're not going to be able to identify enough funds for all the work. Half of it is funded through the revenue bonds and the other half is questionable. Pier 54 is too small of a pier in terms of the footprint. The cost of the substructure and superstructure and seismic does not make it a good development opportunity.

Staff is proposing to use the $17.5 million IFD bond to fund the infrastructure work required at Pier 70 for building the road, sewer, water system and street lighting which is estimated around $20 million. The rest of Pier 70 has been identified as a development project. Pier 80 is partially funded with the revenue bond. Pier 80 is currently underutilized as a cargo facility so making investments could help bring in

more clients. In addition, we are building the Illinois Street Bridge and we would be able to attract more cargo trains to Pier 80. It will be a good investment of our revenue bonds. Part of Pier 96 is funded through the tenant and the rest of it is unfunded but it's not a large amount of the unfunded need. It's about $10 million and we'll have to find a way to fund it eventually.

Since the 1970s, 15 of the original piers have been lost or replaced. In fact if we can't find a way to repair and replace our piers and do seismic upgrades, we would lose the piers. It has and it can happen.

Unless new funding alternatives arise, the Port will restrict or close the following structures:

- Northeast Waterfront: Piers 33 and 35
- South Beach: Piers 26, 28, and 38
- China Basin: Pier 54, portions of Pier 50
- Southern Waterfront: portions of Pier 80

Additionally, the Port has already closed many historic buildings at Pier 70 and is on the verge of forever losing them due to their frail and deteriorated condition.

Either we embrace a new vision for the waterfront or we will watch our historic piers decay into waterfront blight. It's a dramatic statement but it's true.

Port staff is reaching out to everybody. We want people to give us comments not only on the cost estimates of the plan to make sure we've got them as accurate as possible but also to ensure that we've identified all of our options. We want people to join us to try to solve the problem. We need a unified vision of what we are going to have for the waterfront and implementation more quickly. San Francisco must continue to be a great waterfront city.

Commissioner Bierman asked about the buildings at Pier 70. Ms. Olson replied that there are 19 buildings that we've identified that we can repair and replace and not demolish. Supervisor Bierman indicated that some of those are quite historical. Ms. Olson indicated that there is a need to rehabilitate them. It's quite expensive and there are a lot of environmental issues at Pier 70; a lot of environmental remediation work not just with the buildings in terms of asbestos but in the soils. It's a daunting project.

Ms. Moyer added that the cost to mothball the buildings alone is upwards of $3 million. It's not insignificant investment for which there would be no financial return, just the ability to save something that is so precious to our city. There's a lot of time and energy that staff is spending with the advisory committee that's formed around it. There are no readily apparent solutions. She also pointed out that we've applied three successive times to receive brownfield money for Pier 70 from the Environmental Protection Agency and three successive times, we've been rejected because the contamination while some of it was done by the federal government, it was done on

the property while we were the property owner. Brownfield grants do not go to those causes. We're hopeful that over time we would be able to change the minds of the federal government on the appropriate use of those funds but so far, we have not yet been successful. This plan helps us focus more specifically on where the big needs are to really use our resources because our resources do not extend to everything.

Commissioner Hardeman commented on how much work has gone into the plan and the hundreds of estimates were difficult to achieve. Ms. Olson replied that there must have been 30-35 Port employees who worked on the plan. Commissioner Hardeman indicated that it's remarkable that staff was able to come to a decision on the numbers. There is a plan for next year and the year after and staff will be able to fine tooth the plan. He commended staff for doing a remarkable job.

Commissioner Lazarus indicated that Ms. Olson mentioned in her presentation that for the time being this is an interactive document and staff would like to get some reaction and feedback. She asked how she would like that to occur and if there is a target date for bringing this back to the Commission for approval. Ms. Olson replied that the capital plan is due to the Board and the Mayor on May 1, 2006. Staff plans to bring it back to the Commission on April 25, 2006. While it is due to the Mayor and the Board on May 1st, it will be incorporated into a larger City capital plan. The final City Plan will be published in August 1, 2006. If more ideas and comments come in, we can always incorporate it as it's going to the City's side of the process. Within the next month, staff would like to get comments on the plan and contact either her or Daley Dunham with comments and questions. She's scheduled to make a presentation on all of the citizens advisory committees to present the capital plan. We sent a letter to all of the Port tenants and notified them of the plan and solicited some comments. So far, we've gotten some comments from our tenants.

Commissioner Lazarus added her commendation to Ms. Olson and her staff. She understands that this is the first ever kind of plan prepared for the Port. While it's been portrayed as somewhat a doom and gloom scenario, it can be looked at in the opposite way. It's a very comprehensive road map. We finally have a sense of what's out there and what needs to be done. It will allow priorities; it will allow ideas to come forward about how to make up the missing $700 million. It's a huge asset as a document, even though it's not final yet. On behalf of the Commission, she thanked Ms. Olson and staff for the thousands of hours that went into producing this document and we will continue to go into it because it s a very valuable starting point. Ms. Olson reiterated that it is a valuable starting point. She was surprised that we didn't have something like this because that's what we do. She's heard over the years, staff wanted to do it but no one was focused on it as a project. When Daley Dunham was hired, that's the only project she had him focus on. He would do grant application from time to time but his primarily responsibility was to get the capital plan done.

5. PLANNING & DEVELOPMENT

On the advice of Counsel, Commissioner Lazarus recused herself from voting on the following two items and turned over the gavel to Commission Vice President Kimberly Brandon.

A. Request consent to the assignment of the Exclusive Right to Negotiate Agreement, as amended, for the Piers 27-31 Mixed-Use Recreation Project from SF Piers 27-31, LLC (a wholly owned subsidiary of The Mills Limited Partnership) to SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC), and request approval of a Mutual Release Agreement between the Port and The Mills Corporation, The Mills Limited Partnership and SF Piers 27-31, LLC (Site Location: The Embarcadero, between Francisco and Battery Streets) (Resolution No. 06-21)

Mr. Kirk Bennett, Assistant Deputy Director of Waterfront Development Projects, indicated that this presentation covers two action items regarding the Piers 27-31 Mixed-Use Recreation Project. Item 5a is a request for the Commission to consent to the assignment of the ENA for the Piers 27-31 project and request approval of a mutual release agreement between the Port and the Mills Corporation, The Mills Limited Partnership, SF Piers 27-31 or the assignor. Item 5b is a request for the Commission to approve an amended and restated ENA with the proposed assignee SF Piers LLC for the Piers 27-31 Mixed-Use Project. Action on Item 5b is dependent upon the Commission's consenting first to the assignment of the ENA to the assignee per agenda Item 5a.

In 1997, the Port Commission after a six-year public planning process adopted the Waterfront Land Use Plan (WLUP) which provided a vision to meet the needs of all the Port's maritime industries while reuniting the City with the historic waterfront. This was to be done through public/private partnership development at selected mixed-use opportunity areas which would include commercial as well as maritime and public access uses. One of the immediate challenges that the Port faced in implementing the WLUP was the conflict identified between its policies and specific plans and policies of BCDC. These conflicts came into sharp focus upon the Port's issuance of the original RFP for the Piers 27-31 mixed-use recreation project in November 1999, resulting in the RFP being suspended following subsequent public planning process and committee made up of Port and BCDC Commissioners in July 2000. During the joint meeting between the two commissions, the Port and BCDC adopted amendments to their respective plans aligning their plans and policies. These included specific amendments addressing Piers 27-31 and the northeast wharf plaza. In August 2000, the Port Commission reissued an amended RFP for the development of the Piers 27-31 mixed-use recreation project as a public/private partnership. This RFP included the Port's goals for the project and presented the development concept including planning, open space, design, financial objectives and uses. Pursuant to the RFP, the Port Commission in April 2001 awarded the ERN and a development agreement for the project to SF Piers 27-31 LLC a wholly owned subsidiary of the Mills Limited Partnership subject to satisfaction of certain conditions. The Port and the assignor executed an Exclusive Right to Negotiate Agreement (ENA) in June 2001. The ENA has subsequently been amended and its term currently expires on March 31, 2006. The ENA described terms under which the parties would negotiate agreements for the development, lease and operation of the project. These terms included the requirement by the Port Commission that the assignor make changes to its original proposal in response to the conditions set by the Port Commission to better achieve the goals and objectives of the RFP. They also included the requirement that agreed upon changes will be incorporated into a development memorandum that would be the basis for

completing the EIR and negotiating the development agreement and lease for the project. In response to this requirement, the Port and the assignor executed a development memorandum in March 2002. Following changes to the project requested by the State Lands Commission in June 2003, the Port Commission required that further changes be made to the project to satisfy the conditions that are imposed to better achieve the goals and objectives of the RFP. In November 2004, the Port Commission endorsed the terms of the amended development memorandum which was further amended in July 2005. Pursuant to Chapter 29 of the City's Administrative Code, the Port on September 27, 2005 submitted to the Board of Supervisors a Fiscal Responsibility and Feasibility Report regarding the project, and a proposed resolution for the board finding the project to be fiscally responsible and feasible. However, on October 18, 2005, the Board voted not to adopt the Port's proposed resolution by a 9-1 vote.

In January 2006, SF Piers 27-31 LLC or the Assignor requested that the Port consent to the assignment of the Assignor's interest in the ENA to a new entity formed by Shorenstein Properties LLC and Farallon Capital Management LLC or Shorenstein/Farallon. In subsequent meetings between Shorenstein/Farallon and Port staff, Shorenstein/Farallon confirmed its desire to assume the Assignor's interest in the ENA. The specific assignee would be SF Piers LLC or Assignee, of which Shorenstein Properties LLC and Farallon Capital Management LLC are both 50% owners. In addition, Shorenstein/Farallon confirmed their commitment to achieving the goals and objectives stated in the RFP and to the understandings contained in the Development Memorandum with the Assignor. Shorenstein/Farallon also expressed their desire to make modifications to the Project to address community and Board of Supervisors concerns with the project and requested an extension of the ENA for a sufficient time period to make these modifications.

The ENA provides that the Assignor cannot assign its interest in the ENA without the consent of the Port Commission, which determination is to be made by the Port Commission in its sole discretion. Port staff considered four fundamental factors in making this determination:

(1) The ability and experience of the Assignee and its development team in successfully developing and operating facilities similar to the Project. At the request of Port staff, the Assignee submitted a description of the development team and its experience that was consistent with the submittal requirements contained in the RFP. In addition to the two owners of the Assignee, the development team would include Catellus Development Group, as project manager, and an architect and engineering team made up of experienced consultants familiar with the Project. Port staff determined that the proposed development team has the requisite experience to undertake the development and operation of the Project.

(2) Financial Capacity. Because Shorenstein/Farallon are both privately-held equity firms, their financial statements are not publicly-available documents. However, Port staff was able to review, on a confidential basis, financial

statements and credit reports of Shorenstein/Farallon that were consistent with the submittal requirements contained in the RFP. Again, Port staff determined that the proposed owners of the Assignee have the financial capacity and capability to carry out the development and operation of the Project.

(3) Commitment to the RFP Goals and Objectives. The Assignee has confirmed its commitment to achieving the goals and objectives stated in the RFP and to the understandings contained in the Development Memorandum as stated in the Project Requirements.

(4) Assignment Terms. The Assignment, a copy of which is available from the Port Commission Secretary upon request, provides that Assignor assigns to Assignee all of Assignor's right, title and interest to the ENA and related documents. The Assignment provides for consideration to be paid by Assignee to Assignor as outlined in the staff report. The first four payments in fixed amount are based upon achievement of specific milestones. The remaining consideration involves participation by Mills and the project cash flow of the completed project up to a $4 million maximum.

The Assignment also contains a number of other provisions between Assignor and Assignee, including responsibility for expenses of the assignment, representations and warranties, release of claims, covenants, restrictions on further assignment or transfer, indemnifications, and listings of liabilities and assumed agreements. Included in Section 7 (e) of the Assignment are the following agreements:

"From and after the Effective Date, Assignee or its Affiliate shall serve as development manager for the Project. As of the Effective Date, Assignor and its affiliates shall have (i) no further development management or other role in the Project, (ii) no ongoing role with respect to the Project, and (iii) no reversionary rights to develop, or participate in the development of, the Project." In other words, following the proposed assignment, Mills and its affiliates will have no further role or rights to the development of the project. Their participation would then only be financial whereby they would potentially received the indicated the consideration for assigning their rights. As a condition for the Port staff recommending that the Port Commission consent to the proposed assignment, Port staff required that the Assignor enter into a Mutual Release Agreement with the Port. This Mutual Release Agreement will release and waive claims between the City and County of San Francisco, the Port, The Mills Corporation, The Mills Limited Partnership, and SF Piers 27-31, LLC in connection with the Project. The Port's release will exclude certain claims that are described in the Mutual Release Agreement, including claims arising under the permit to enter the Project site and the lease for the temporary soccer field on the Project site - both with SF Piers 27-31, LLC. The effective date for this mutual release will be the later of: (a) the Port Commission's adoption of resolutions consenting to the Assignment, approval of the Mutual Release Agreement, and approval of amendments to the ENA; or (b) full execution of these

three documents by all the parties. The Mills Corporation, The Mills Limited Partnership and SF Piers 27-31, LLC have signed and delivered this Mutual Release Agreement to the Port.

Port Staff recommends that the Port Commission Consent to the proposed assignment of the ENA for the Project; and Approve the Mutual Release Agreement. Agenda Item 5B is conditioned upon the Port Commission having first adopted Resolution No. 06-21.

Doug Shorenstein commented that he was born and raised in San Francisco. Their organization was founded in San Francisco in 1924 and grew over the years. Approximately 15 years ago, they started becoming active in office investment development around the country but they remain and will remain headquartered in San Francisco. They are approaching this project with Farallon Capital Management whom he is close to, both personally and in a business capacity. If awarded this project, they intend in occupying this project as their headquarter facility. Farallon is also headquartered in San Francisco and is a major and highly respected institutional investment organization. They will locate their respective headquarters to these piers. This is not a speculative development in the generic sense. They will take pride in ownership of occupying the piers as well as developing them. They have also met with a number of the neighborhood organization who are directly focused and concerned with this project. They've attempted to address issues and work with the neighborhood groups. Their intent and approach to this project going forward will be to meet with relevant groups and people that have the input and concern regarding this project and try to work with the groups in an open and collaborative process. They understand some of the issues that were raised with the past developer. They attempted to address some of the issues. He wanted to state the obvious that they are committed to the RFP. Their intent is to comply with all the requirements of the RFP and all the other relevant documents and to move the project along in a measured, reasonable process to get the end goal i.e. developing something that he hopes would be a real treasure both to the City and their organization.

Commissioner Bierman commented that she hopes this project gets going and it happens. She was still on the Board of Supervisors when another developer was trying to make this happen. She was hoping that it would be ready for her grandchildren. Now she's hoping that her two great grandchildren, ages 8 & 10, would be able to enjoy it. Mr. Shorenstein replied that he shares the Commissioner's concerns. From their perspective, they intend on moving this forward as expeditiously as possible. This is their first exposure to this project. Shorenstein/Farallon is not entering into this for anything other than getting it done. If it is doable, they will proceed with it. He, too, hopes that it is done before his kids are grown. He plans on having their company be a multi-generation company but he plans on occupying it on his career not his kid's career.

Jon Gollinger indicated that Citizens to Save the Waterfront is a coalition of businesses, environmental and neighborhood groups who have been concerned with

the Mills project from the start. They are very hopeful that the end of the Mills project today would mean a fresh start for this very important stretch of our unique waterfront. Today marks the end of five years of controversy over a project that many think was fundamentally flawed from the start and opposed by a broad community coalition. It simply didn't fit the site. They are very thankful and they think our waterfront would be better off. He thanked many of Port staff who put in countless hours on this project over the last five years: Byron Rhett, Kirk Bennett, Lynda Swanson, Diane Oshima and Director Moyer. While they didn't disagree with them on everything that they set or produced over the years, they certainly respect their hard work. While that project ends today, it won't be for not. He also thanked dozens of organizations around the City who came together to stick up for what they felt was an important battle for our waterfront. The coalition's concern with Mills was never simply a handful of self-interested people although some tried to characterize it that way. Dozens of organization from the Harvey Milk Gay and Lesbian Democratic to Sierra Club, the Democratic Party, the Coalition for African Agenda and many more came together around a project that they felt was not appropriate. Many, if not all, will stay involved in pursuing the right project for this part of the waterfront. He recognized thousands of individual San Franciscans who gave up their time and effort. They received donations from a dollar to a hundred because many felt that this was a battle worth fighting. As the Port moves forward with this project, it would be very beneficial to get the community involved.

Ernestine Weiss, activist residing on the Golden Gateway Center, took part in all of the negotiations with the Mills project. While it was a big effort, it just wasn't the right fit. She welcomes the Shorenstein organization. She does not know the Farallon organization but she's sure that Shorenstein chose Farallon because they are top notch. She welcomed the organizations to this project and she's sure that they will do a great job because they have the experience. She has the confidence on them that this would be the right fit. It's especially refreshing that they are reaching out to the community because that's important. They want to see the Port gain a wonderful tenant. They want to see the Port make money but in a proper manner so that we can be all proud. She wished the new developers the best of luck.

John Ruzzo, Sierra Club San Francisco Bay Chapter President, spoke against Item 5a and it is no slight to the Shorenstein Company. He indicated that we would all be better off if the Shorenstein had done the Presidio Project. This has to do with extending the Mills right to negotiate. The Port is giving the Mills Company the right to pick the contractor for this site. The choice should be the Port. The choice should be the people of San Francisco. There should have competitive bidding to see what kind of projects could fit this site. The current project is universally considered not fit for the site. There needs to be new ideas and new thinking and the project should be started from scratch. There was a good design that the Port's consultant supported in the Chelsea Piers project. Chelsea should be asked to participate to bid. The free market should come to bear and come with a solution that works. The Port is giving the Mills Company the right to pick the package that benefits them the most.

Commissioner Hardeman responded to Mr. Ruzzo's comments. It is not true that Mills picked the Shorenstein Company to do this project. It's a misrepresentation of who is probably the finest family in San Francisco and giving him this project. From a worker's prospective and from a person who has been in public life since 1977 as an elected union representative, a Commissioner and as a board member, he does not know of a finer family to do good for San Francisco and working people than the Shorenstein name. The Port went to the top of the list when it picked the Shorenstein Company.

Commissioner Hsu asked about the mutual release agreement between the Port of San Francisco and Mills Corporation and the $21 million reimbursable development cost. He asked if that was part of the settlement agreement. Mr. Bennett replied that when the assignment was presented to the Port, a difficulty that the Port staff had with the assignment was the fact that Mills would receive consideration but there was not a release from the Port. Staff informed Mills that we couldn't recommend the assignment without a release. They came back and suggested a form of a mutual release and we've negotiated the document. It's separate from $21 million. In terms of the assignment agreement, staff felt it was not appropriate to recommend to the Commission to approve an assignment unless any potential outstanding legal issues were resolved with the assignor particularly in light of the fact that they were receiving some consideration for this assignment. This was tied strictly to the assignment itself. Item 5B relates to the amendment, one of the provisions within that agreement is a base rent which is guaranteed. In addition, there is a participation rent, a formula which allows the developer to receive a preferred return based upon their development cost. During the negotiations, the Shorenstein group felt that there was considerable amount of money that had been spent on developing this project between the RFP and to date which has some value. They felt that should be included of the development cost in calculating the participation rent. Staff negotiated that there were legitimate costs defined in the development memorandum spent toward the development of the project such as the EIR, community meetings, and architectural work. Staff also indicated in the development memorandum there are certain costs that were not legitimate costs such as costs expended prior to award of the RFP, any kind of lobbying efforts, advertisements, etc. However, we still don't have the definitive audit to determine what they are. Staff would limit the reimbursable development cost to legitimate direct cost expended and negotiated a cap which was based upon the same number that was included in the fiscal feasibility report submitted to the Board of Supervisors. Both the Farallon/Shorenstein group and Port staff feel that we need to look further at those costs. We would agree to cap it to $21 million, the publicly stated amount presented to the board. The mutual release relates to the assignment. The $21 million relates to the calculation within a future lease.

Commissioner Hsu wanted to make sure that the stipulation that the $21 million or less the direct reimbursable development cost allowed does not open up a can of worms in the future and allow the previous developer to kick the door wide open and

come back with a lawsuit so as to undermine our efforts of doing this mutual release. Mr. Bennett indicated that the amended ENA is not with Mills but with the assignee, the Shorenstein/Farallon group. Because of this very issue, the onus is upon Shorenstein/Farallon as a continued relationship with Mills to provide the Port with the necessary documentation to prove those amounts. The obligation on the Shorenstein/Farallon group to the extent that they can obtain the information and confirm it, they would be the beneficiaries. If they cannot, they would be excluded. Commissioner Hsu reiterated that the Mills Corporation will not be the beneficiary of the allowed development cost or the $21 million and asked if that will also be assigned. Mr. Bennett replied that Mills is not the beneficiary. The lease does not exist yet. The only thing that exists is the ENA and that's what's being assigned. We will be negotiating it in the future as outlined in the performance benchmarks.

Commissioner Hsu asked if that reimbursable expense would be assigned to the assignee or remains with Mills. Ms. Moyer explained that the agreement between Shorenstein/Farallon and the Mills Corporation is a final agreement. They've negotiated a payment schedule for a discounted version of the cost that Mills spent to date which at the time the Port submitted the fiscal feasibility report characterizes the cost as being close to $30 million. The Shorenstein/Farallon have negotiated a cash price today of those fees plus future at risk return on those fees which are encapsulated in their own individual agreement. It's a deep discount, $9 million of the $30 million, more or less that the Mills have said they have expended. That has been put to bed forever upon the assignment of this agreement. Irrespective of that, the Port will recognize allowable development cost which we've capped at whatever they actually are not to exceed $21 million of whatever has been spent such as the entitlements to date, the EIR expenditures to date and any number of potential drawings, etc. That is a new concept that is only between the Port and Shorenstein/Farallon group.

ACTION: Commissioner Hardeman moved approval; Commissioner Bierman seconded the motion. Four of the Commissioners were in favor; Resolution No. 06-21 was adopted.

B. Request approval of an Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC (whose members are Shorenstein Properties LLC and Farallon Capital Management, LLC) for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero, between Francisco and Battery Streets) (Resolution No. 06-22)

Mr. Kirk Bennett, Assistant Deputy Director, stated that Shorenstein/Farallon have indicated their commitment to achieving the goals and objectives stated in the RFP. The understanding is contained in the Development Memorandum that indicates the terms agreed upon by the Port and the Assignee regarding the project including general conditions, design and development guidelines and terms of the development agreement and lease. Shorenstein/Farallon also expressed their desire to make modification to the project to address community concerns and Board of Supervisors concerns about the project. These modifications would include changes to the project

description and to the site plan. Shorenstein/Farallon requested that the ENA be extended to accomplish the following tasks:

1. Make changes to the Project;

2. Obtain endorsement of these changes by the Port Commission and the Board of Supervisors;

3. Negotiate and finalize the transaction documents, including the LDDA and lease;

4. Complete environmental review of the revised Project; and

5. Seek approval of the transaction documents by the Port Commission and the Board of Supervisors.

Shorenstein/Farallon, on behalf of SF Piers LLC, and Port staff have negotiated agreements to the ENA which have been incorporated into an Amended and Restated Exclusive Negotiation Agreement. He highlighted the following fundamental terms:

The initial term is for a six-month period from April 1, 2006 to September 30, 2006, within which Assignee will seek Port Commission endorsement of a Revised Development Memorandum. The amended ENA will also provide the first extension upon the satisfaction of the initial performance benchmarks, including the Port Commission endorsement revised Development Memorandum. The ENA term will be extended for up to an additional 120 days to allow time to obtain Board endorsement of the Revised Development Agreement. It also provides a second extension upon obtaining the Board of Supervisors' endorsement of the Revised Development Memorandum within the First Extension, the amended ENA term will be extended an additional 18 months. If the board does not endorse the revised development memorandum by the end of the first extension, either the amended ENA will terminate or the Port commission in its sole discretion may extend the term of the amended ENA. Staff has negotiated a sequence of negotiation fees based upon specific events:

- $25,000 prior to Port execution of the Amended ENA
- $50,000 upon adoption of the Port Commission endorsement resolution
- $50,000 upon adoption of the Board of Supervisors endorsement resolution
- $50,000 upon Planning Commission certification of the environmental impact report
- $75,000 upon execution of the LDDA

Assignee will reimburse the Port for staff time, legal fees and outside consultants fees incurred by Port regarding the Project, to be paid quarterly.

During the initial 6-month term of the Amended ENA, Assignee and Port will negotiate a Revised Development Memorandum whose provisions will be consistent with the basic principles and terms of the following Project Requirements:

- Revised Project will achieve the Port's goals and objectives stated in the RFP.

- Active Recreation uses will be operated by an experienced Active Recreation Operator and will provide affordable, pay-as-you-go active recreation activities.
- The terms and financial benefits will be equivalent or more favorable to the Port than the terms in the existing Development Memorandum.
- For purposes of participation rent to the Port, the calculation of "Development Costs" will not include consideration paid by the Assignee to Assignor for the assignment of the ERN, but will include the lesser of: the legitimate, direct predevelopment costs for the Project incurred by Assignor between April 18, 2001 and March 31, 2006; or $21 Million.
- Assignee will provide a satisfactory guarantee of completion.
- The Project will be constructed in accordance with the Secretary of Interior Standards for Historic Rehabilitation.
- The use program will include the following Required Uses: Active Recreation uses on a majority of the programmed space; a programmed and improved Marine Sports Basin similar to that described in the existing Development Memorandum; Public Access and Open Space on no less than 35% of the Site footprint (not including water areas and the Northeast Wharf Plaza as defined in the BCDC Special Area Plan and the Port's Waterfront Land Use Plan); a water taxi landing; and transient berthing for recreational boats in the Marine Sports Basin.

The Initial Performance Benchmarks:

- Monthly progress reports
- Proposed plan of development, development schedule, community outreach program, trust consistency proposal, and regulatory approval strategy by July 1, 2006.
- Annual budget for Transaction Costs by August 1, 2006.
- Letter of intent with Active Recreation Operator by September 1, 2006.
- Port Commission endorsement resolution regarding Revised Development Memorandum by September 30, 2006.

Board Endorsement Resolution: Within 120 days of Port Commission endorsement resolution.

Additional Performance Benchmarks:

- Implementation of continued community outreach program. Port staff has emphasized and the developer has committed to an outreach program with the community.
- Submit revised environmental review application within 30 days of the Board endorsement resolution.
- Schematic Design Drawings within 120 days of the Board endorsement resolution.
- Obtain environmental review certification, operating agreement/sublease with the Active Recreation Operator, and agreement on LDDA and lease by expiration of the Amended ENA.

Assignee and Port will work together in a process for determination of the public trust consistency for the Project, which may include regular discussions with the staffs of BCDC and the State Lands Commission.

Assignee will not issue press releases about the Project without prior consent of the Port, and will not hold press conferences about the Project without giving the Port the opportunity to participate.

Assignee will not initiate any ballot measure regarding the Project without the Port's prior consent.

Port staff recommends that the Port Commission approve Resolution No. 06-22, the Amended ENA.

Jon Gollinger indicated that while Citizens to Save the Waterfront, as a broad coalition, can't take a position on a project that doesn't yet exist, he has heard not just from the Sierra Club and others, they're very concerned with the process and hope that this will not be an example of how the project proceeds. He thinks the developer seems committed to an open, public process. What the community outreach look like, whether it's simply dog and pony shows that are designed to present done deals or whether looking for input on projects that haven't yet fully formed will tell that tale. Looking through the ENA, it's positive that the developer has been given a very strict timeline, six months no more, to come back to the Port with an actual project. He would assume that within that time the community would be very engaged in coming up with what they are going to propose. If that's not brought back within six months, or not acceptable to the Port, or not within the parameters of the actual RFP i.e. Recreation project, the Port would go back out for bid. The ENA is a very good thing and a precedent that the project would go from the Port to the Board of Supervisors. The actual development agreement at most 10 months from today would have to go to the Board for their full review and endorsement. If that doesn't occur, the project is done. They are both valuable and he was glad to see them included. The bottom line is they hope that this recreation project that a lot of time and effort was expended to design is actually what ends up being proposed. They are cautiously optimistic that would be the case.

Ernestine Weiss indicated that each pier is like a link in the necklace. Pier 27-31 is going to be a very proud effort. She has all the confidence of the people behind it. They have a proven record. She urged the Commission to approve the amended ENA and go full speed ahead.

Toby Levine indicated that NEWAG has not met yet about this project and they will be meeting at the first of the month. She can't say anything that would reflect their particular thoughts. In the past, they've spoken many times about the problems related to the community outreach plan. She is very grateful that there is going to be a well laid out and thought out plan that can be brought back to the Commission as well as monthly reports. As far as community outreach is concerned, the community outreach needs to be much broader than the actual neighborhood in which these piers are located because this is a recreation project. They hope that there will be a lot of maritime recreation. It implies that we need to reach out to all of San Francisco

because this recreation project will have a huge impact on the whole City. She reflected about the historic preservation aspects that were discussed in the previous project and which were very important for many people and which were worked out for Pier 27-31 in a very clear manner. She hopes that those aspects will continue to be carried out in the new plan. She likes the fact that there are certain protections for the Port that are very important such as the press releases, the ballot measures and all the kinds of things that happened the last time will hopefully be prevented this time around. She strongly urged that the Commission move forward with this and we will have a great adventure for the next six months. We have a lot of confidence in the Shorenstein/Farallon Company.

Commissioner Brandon indicated that if we've learned nothing else from this project we've learned that community involvement and input is key. That process has to happen in order for any project to be successful along the Port. Also affordable recreation is our primary goal for this project. Although her last two employers have been tenants of Shorenstein, she knows first hand how well their office spaces run and how secure it is. She hopes that same process goes into the affordable recreational piece of this project

ACTION: Commissioner Hardeman moved approval; Commissioner Bierman seconded the motion. Four of the Commissioners were in favor; Resolution No. 06-22 was adopted.

6. NEW BUSINESS / AGENDA SETTING

Commissioner Brandon turned over the gavel to Commission President Lazarus.

Ms. Moyer indicated that our next meeting is scheduled for March 28, 2006 and we will have a couple of topics of note that day, primarily, our proposal on the public trust legislation. We have a spot bill with Senator Migden pending right now. We are still working on the legislation. She emphasized the importance of our hearing on March 28 related to the public trust legislation. This is the legislation that we've trying to work with a broad constituency including the State Lands Commission staff that would help us in our quest to enhance our assets in accordance with a number of agendas not the least of which is the public trust doctrine. The legislation would then go to the City's legislative committee before the City and the Port can formally take a position of adopting the state legislation. The hearing on the USS Iowa is also calendared for the March 28, 2006 meeting although staff still does not have the information it requested and we've been notified that we're not likely to get it. Staff will decide whether to move forward with that item in the next couple of days. The Pier 45 boiler plate as promised will be back on March 28, 2006. She noted that other boiler plates as discussed for other areas of the waterfront would come as an informational presentation by April 11, 2006. The Pier 45 boiler plate is sort of the lynch pin of moving the others forward. The Port's ten-year capital plan will be presented to the Commission on April 25, 2006 instead of May 9, 2006 so we can be back in front of the Commission before it has to go to the Mayor and the Board of Supervisors on May 1, 2006.

Merylin Wong, Historic Ships Memorial at Pacific Square, indicated that of great concern is the matter that the Director pointed with regard to the need for additional financial information. She asked for clarification about the financial information that is needed to qualify for the public hearing.

Ms. Moyer indicated that since this is not an agenda item, she will contact Ms. Wong separately.

7. PUBLIC COMMENT

Captain Ray Shipway provided the Commission a letter regarding the Alcatraz ferry service contract. He thanked the Commission and the director for the support they've given them so far with regard to the issue of their workers. As Director Moyer mentioned there are layoff notices to the Inland Boatmen Union (IBU) workers at Blue & Gold as well as Masters, Mates and Pilots (MMP)which is of grave concern to them. Their members are obviously distressed and worried about it. They are very concerned about their economic livelihood in the midst of this crisis. They are very concerned that Hornblower continues to keep their workers on hold. They have received no assurances that they are willing to hire their workforce to make this situation work. There is no assurance that Hornblower will pay prevailing wages to the workers because the NPS sent the new contract to Congress without this requirement included. The new Alcatraz contract is a legal testing ground for NPS to erode the long standing labor protections. How can this be allowed to happen on the waterfront which is a historic symbol for the struggle for fair wages and worker's rights? How could this happen in a city that has been in the national forefront of setting prevailing and living wage laws? The National Park Service and Hornblower have kept the details of how they intend to operate the Alcatraz Ferry Service secret citing proprietary reasons. The Port Commission has yet to hold one hearing in public or in closed session about the specifics of Hornblower's proposal. The time to make public the details of Hornblower's plans has come if it intends to take over this service in May, the beginning of the peak tourism season. The time for this Commission to sit and monitor the National Park Service's bid process on the Alcatraz Ferry contract has long passed. They urged the Port Commission to start the public process to analyze the traffic, economic and job displacement impacts of the new Alcatraz Ferry Service at Pier 31 ½. The Board of Supervisors requested this in December 2006. They urged the Port to start public hearings on Hornblower's proposal at their March 28, 2006 meeting. The public deserves a right to know and their workers need more than layoff notices in their hands.

Pilar Schiavo, Political Director for the San Francisco Labor Council, indicated that Tim Poulsen, Executive Director of the Labor Council, asked her to come to the meeting on behalf of the council and the coalition of 150 different unions in San Francisco. They stand behind the IBU and MMP. San Francisco has had a tradition of holding employers accountable and making sure that they can't just come in and under cut prevailing wage for their own benefit. At this point, they are completely in the dark about Hornblower and what their plans are. They support a call for a public hearing at the March 28, 2006 Commission meeting. The workers who have been doing this work for years and years not only have been supporting their families but they know the work really well. The public is at risk if these jobs are not protected. Prevailing wage provides protection of security and safety and skilled workers. They hope that only will prevailing wage be respected when Hornblower

takes over this contract and they will retain the workers who know this work and know how to keep the public safe in doing this work every single day.

Chuck Billington, chair patrolman of the IBU, indicated that Marina Secchitano is in Washington DC attending various meetings. They have been in an ongoing situation with the NPS concerning the award of the Alcatraz contract to Hornblower. NPS has failed to recognize that all government contracts must recognize the Service Contract Act (SCA) passed in Congress in 1965. The Park Service should not be allowed to violate the law. This encourages bidders to reduce wages and benefits of the workers to provide higher concession fees to them. The current concessionaire Blue & Gold Fleet has held the contract with the NPS to provide ferry service to and from Alcatraz since 1997. Winner of numerous environmental awards and held up as a model concessionaire by the Park Service, Blue & Gold and organized labor have both complained that in selecting a new contractor, the NPS has ignored the 1965 law requiring government agencies to maintain employee compensation when such contract changed hands. The NPS has awarded the Alcatraz contract to Hornblower Yachts without referring to the SCA. This has caused Blue & Gold Fleet to issue 157 notices of possible layoffs and termination required by the federal law. They have petitioned the NPS, the Congress, the House of Representatives, namely Senator Dianne Feinstein, Congresswoman Nancy Pelosi and Senator Barbara Boxer to petition the Congress to hear the question concerning the NPS awarding of the contract. Ms. Secchitano wanted him to impress upon the Commission as Captain Shipway did that they have 157 bright people. When they got their notices, the phone rung off the hook asking what they should do. He told them that they are trying everything possible. He personally extended the IBU's and Ms. Secchitano's appreciation for the Port's unwavering support and for recognizing their struggle and the rights of their workers and the union workers who will come after them.

Commissioner Bierman asked if there is anything the Port could do or should be doing to help with the situation with regard to the layoffs. Ms. Moyer indicated that there will be 358 layoffs. The number that Mr. Billington referenced was those affected at IBU. The 358 layoffs represent the Executive Vice President to cashiers, the deckhands, the pilots, etc. that has not only the attention of the Port but the Mayor's office as well. Port staff is coordinating its efforts with respect to the Congressional legislation and the ability for the SCA to apply through the Mayor's office. The Mayor's office reported today that they are speaking to our delegation about these issues and their concerns. At the same time, we have repeatedly contacted the NPS and complained in every way we can that it is an untenable situation for the Port to presume that this is going to impact our property and we can't even know the slightest detail about it until the day it occurs under the privity that is provided because during the 60-day cooling off period the information and the contract is still privileged information to which the landlord, i.e. the Port is not able to see. The Court when it acted last Monday in favor of the NPS process issued a 50-page decision which is not publicly available. We hope that it will be available by Friday but it will be redacted. We still have yet to see what the court's determination was in upholding its decision. It's a very untenable position for the Port to be in. We continue to speak with all parties, NPS, Blue & Gold and Hornblower. She and Commissioner Lazarus met with Blue & Gold this morning to look at how this crisis can be alleviated. There are no readily apparent solutions until we are privilege to some piece of information. We can have the hearing on the 28th but neither the NPS nor Hornblower will be allowed by federal law to tell us anything.

Merylin Wong, HSMPS, indicated that throughout today's Commission meeting, they are always reminded of the significance of community support in any endeavor. In many ways, what the City is looking for is also exactly what the Navy is looking for. Among the many requirements that they must meet in order to bring the Iowa to San Francisco is they need community support. Local 798, ASL-CIO Firemen's Union has unanimously issued a resolution in favor of the USS Iowa at the Port of San Francisco. Additionally, the American Legion Café Post headquartered in Chinatown has also endorsed the project. In the last week, they hear that letters will be going to City Hall from the San Francisco Police Officers Association as well as the Greater Geary Boulevard Merchants and Project Owners Association. Every day that goes by, they are gaining more ground in the community support area. They appreciate the need to feel comfortable about the financial feasibility of this project. She shared another article to the Commission published in the USA Today. It starts and ends with the success story associated with the capital ship, Midway. Not only that the naval ships memorial be placed in populated areas, this being our nation's most populous state, but in a major metropolitan area that is frequented by many visitors. Within this article are comments from two of the members of the Board of Supervisors. She asked the Commission to maintain the USS Iowa hearing on the March 28, 2006 calendar and to let her know as soon as possible what it is that is needed for them to continue.

Ernestine Weiss talked about the Abraham Lincoln Brigade art that the Port is considering putting behind the Vaillancourt Fountain. The Port should consider the space. When a piece of art is affixed to an area, that piece of art should stand out. If something is right next to it, it's going to take away from that art. Both of them will not have the attention that they require. Since Rincon Park does not have any art, the Port should put the art on the other side of the park where the restaurants will be built. That would be a more appropriate place because it will stand out. It will be just another art form squeezed into a little slice of the Port's land. It's not going to be pretty. It will not look nice next to the ferry park. She hopes that the Commission will reconsider putting it somewhere else. They have not heard anything about the Brannan Street Wharf project as well as the status of the Pier 30/32 cruise terminal project. There are rumors going around that it's going down the drain. The public would like to know what's going on with those projects.

Commissioner Hardeman indicated that on Friday, St. Patrick's Day, Sacred Heart Cathedral boy's and girl's basketball teams are playing in the State Championship. We should all wish them Irish luck.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Bierman seconded the motion. All of the Commissioners were in favor.

At 4:47 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER pursuant to Government Code Section 54956.9 and Francisco Administrative Code Section 67.0(d). (Discussion and/or Action Item)

- As defendant (one case)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Seawall Lot 344 (at Amador Street)
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*American Storage: Paul Guidi

9. RECONVENE IN OPEN SESSION

At 5:50 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to not disclose any information discussed in executive session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

10. COMMUNICATIONS

11. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 5:52 p.m.

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Sue Bierman, Commissioner
Michael Hardeman, Commissioner
Wilfred Hsu, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

AGENDA
REGULAR MEETING
3:00 P.M. TUESDAY, MARCH 28, 2006

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

DOCUMENTS DEPT.
MAR 24 2006
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1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES - March 14, 2006 Meeting

3. EXECUTIVE

A. Executive Director's Report
- Maiden Voyage of Saga Ruby
- 25th Anniversary of Waterfront Container Leasing Company

4. REAL ESTATE

A. Request approval of the terms and conditions in the standard form of lease for the fish processing facilities in Pier 45, Sheds B and D (Resolution No. 06-23)

B. Request approval of the terms and conditions in the standard form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11 at Pier 70. (Resolution No. 06-24)

5. MARITIME

A. Request approval to reject the proposal to berth the USS Iowa at the Port of San Francisco. (Resolution No. 06-25)

6. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

  - Informational Hearing on the Alcatraz Ferry Service at Pier 31-½ (April 11, 2006)
  - Informational Presentation regarding the 8 Washington Street Residential Condominium and Public Parking Garage project at SWL Lot 351 (April 11, 2006)
  - Request approval for the Port to enter into a Memorandum of Understanding with the Department of Parking and Traffic to allow the installation of bicycle lanes along Illinois Street (April 11, 2006)
  - Request for time extension for the Pier 94 Wetlands Enhancement Project (April 11, 2006)
  - Request for time extension for the Ferry Security Enhancement Project (April 11, 2006)
  - Request for time extension for the Pier 52 Public Parking Lot (April 11, 2006)
  - Request authorization to award the Architectural/Engineering As-Needed Services Contract (April 11, 2006)
  - Request approval of lease with Java House at Pier 40 (April 11, 2006)
  - Request approval of amendment of lease with Bay Delta Maritime at Pier 15 (April 11, 2006)
  - Request approval of Pier 39 Sublease Agreement to allow emergency egress from the north apron of Pier 35 (April 11, 2006)
  - Request approval of Memorandum of Understanding with the Entertainment Commission regarding entertainment permits on Port property (April 11, 2006)
  - Request approval to issue a Request for Proposals for parking lots on Seawalls 324, 323, & 321, Davis St. & Broadway (April 11, 2006)
  - Informational presentation regarding Broker Fees at the Port of San Francisco (April 11, 2006)
  - Informational presentation regarding the proposed event fees at the Port of San Francisco (April 11, 2006)
  - Informational presentation regarding the License Standard Operating Procedures at the Port of San Francisco (April 11, 2006)
  - Request approval of lease amendment with Pacific Marine Dining Yachts at Pier 9 (April 11, 2006)
  - Request approval of lease amendment with Inspection Services at Pier 26 (April 11, 2006)
  - Discussions with State Lands Commission regarding the Public Trust (April 2006)
  - Informational Presentation regarding the Port and San Francisco Public Utilities Commission Clean Energy/Clean Air Plan (April 2006)
  - Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (April 25, 2006)
  - Request approval of Jefferson Street Sidewalk and Airspace Encroachment Guidelines and Permit Fees (April 25, 2006)
  - Request approval of the Port's Ten-Year Capital Plan (April 25, 2006)

- Request approval of a Memorandum of Understanding with the San Francisco Public Utilities Commission for installation of combustion turbine power facility near the end of 25th Street (also referred to as "Western Pacific Property") (Date to be determined)

7. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS (Discussion and Action Item)

a. Discuss existing litigation matter pursuant to Sections (a) and (d) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d):

- Claim of CSUA dba Gray Line, Claim No. 06-00302, filed August 1, 2005. (Discussion and Action Item)

- Discussion and approval of settlement of government tort claim seeking economic damages for temporary loss of permitted premises. Proposed settlement of claim upon terms which include Port's payment of $6,714.67, representing 11 days of rent paid during the loss period, in exchange for claimant's full and final release of claims. A copy of the proposed settlement agreement is available for inspection from the Executive Secretary for the Port. (San Francisco Administrative Code Section 67.12(b)(3).)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Pier 47
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*W.F. Alber Seafood: Mel Wycliffe

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 47.

b. Property: Seawall Lot 324, 323 and 321
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Various Respondents

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding the issuance of a Request for Proposals for Port property located at SWL 324, 323 and 321.

c. Property: Pier 40
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Java House: Phillip Papadapoulos

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 40.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12. Vote on whether to approve proposed settlement of litigation - Claim of CSUA dba Gray Line (Item No. 9A(1)a.)

10. COMMUNICATIONS

Communications to the Port Commission received from March 9, 2006 to March 23, 2006:

- From Capt. Ray Shipway & Marina Secchitano regarding Alcatraz Ferry Service
- From Merylin Wong, Historic Ships Memorial at Pacific Square, USA Today article regarding the USS Iowa
- From June Osterberg, copy of the North Beach Journal
- From Dennis MacKenzie, Round the Diamond, regarding the Piers 27-31 Mixed-Use Recreation Project
- From Richard B. Fried, FOCIL-MB, LLC, regarding Mission Creek Park at NP3, NP4 and NP5
- From J.M. Myatt, Marines Memorial Association, regarding commissioning site for the MAKIN ISLAND (LHD-8)

11. ADJOURNMENT

MARCH/APRIL 2006
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
Mar. 28	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
Apr. 11	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
Apr. 25	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine/

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

March 22, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Request approval of the terms and conditions in the standard form of lease for Pier 45 fish processing facilities in Sheds B and D

DIRECTOR'S RECOMMENDATION: Approve the Updated Pier 45 Fish Processor Lease

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This item was presented for informational purposes on December 13, 2005 and February 28, 2006 and has returned for approval.

BACKGROUND

On September 8, 1993, the Port Commission by Resolution No. 93-127, as amended by Resolution No. 93-135 ("1993 Resolution") delegated authority to the Executive Director to approve and execute leases on behalf of the Port provided that the terms of said leases meet certain business parameters. The adopted business parameters formally established rental rates for different types of facilities, an approved boilerplate lease, and set a maximum lease term of five (5) years.

In 1994 following the Pier 45 Earthquake Repair Project for the restoration of the fish processing facilities at Pier 45 Sheds B and D, the San Francisco Port Commission, pursuant to Resolution 94-112 dated August 9, 1994, amended the 1993 Resolution to allow the Executive Director to approve and execute leases with terms not to exceed ten (10) years for the Pier 45 fish processors.

This Print Covers Calendar Item No. 4A

On August 23, 2005 the Port Commission by Resolution No. 05-57 established minimum rental rates for the office space, shed space and 2nd floor warehouse space for the Pier 45 fish processing facilities. The current lease rates reflect tenant's initial occupancy of unimproved shell space. The newly adopted rates capture the value of tenant improvements constructed under the current leases and amortized over the 10-year lease terms.

Since early 2005, eight of the thirteen Pier 45 fish processor leases executed after completion of the Pier 45 Earthquake Repair Project have expired and are now leased on a month-to-month basis. Port staff, working with legal counsel, initiated a process to update the original form of lease for the Pier 45 fish processing center instituted following the Pier 45 Earthquake Repair Project. Throughout this review period, staff pursued lease revisions to ensure the updated document reflects new City requirements and Port business practices and policies enacted subsequent to the execution of the now-expiring or expired leases. As part of this review, staff has sought both general feedback from the Fisherman's Wharf Waterfront Advisory Group (FWWAG) and specific feedback from the existing fish processing tenants at Pier 45.

The end product of the extensive review process described above is the updated fish processing lease form before you today for your approval. The updated boilerplate will be used as the foundation for negotiating new business terms and executing new leases with fish processors for available premises at Pier 45. The major changes include the following:

1. The addition of current City requirements relating to the leasing of real property, including the First Source Hiring Program, Healthcare Accountability Ordinance, Sunshine Ordinance, Prevailing Wages, and Limitation on Contributions, among others. These requirements are not included in the current Pier 45 Fish Processor leases because they did not exist when these leases were originally executed.
2. The addition of current Port business practices and policies including:
    - Fixed annual rent increases not to exceed 5% per annum replacing the Port's current practice of annually determining the percentage change in the Consumer Price Index ("CPI"). Calculating the effect any increase in the CPI had on rent and security deposit, preparing a formal letter to notify each tenant of the rent and deposit increases, and updating Port's database to reflect these changes to ensure proper billing has proved burdensome to Port staff, confusing to Port tenants and a drain on Port resources. Additionally annual CPI adjustments have not been able to capture increases in the commercial real estate market.
    - For the entire lease term, the cash security deposit shall be fixed to equal twice the minimum monthly rent in the final year of the lease. As mentioned above, the security deposit is currently adjusted on an annual basis. Accordingly, when the time required to notify each tenant of the increase in rent and security deposit and the time it takes for the tenants to provide the Port with the increased amount is calculated, then for at least a few months of every year, the security held by the Port is insufficient to cover two months' of the then current monthly rent. By requiring the security deposit to equal twice the minimum monthly rent in the final year of the lease, not only is there increased efficiency for Port staff, but the Port minimizes its risk that there will be a deficit in the security it holds when compared to the then current base

rent. Note that the Port is not required to pay interest on security deposits under State law. Port staff recommends that the Commission delegate to the Executive Director or her designee on an individual basis the ability for tenants to provide a Letter of Credit in lieu of cash to fulfill the security deposit requirement of a lease.

- With Port consent, holdover rent shall increase by a minimum of 150% (not applicable if Port and Tenant are unable to execute a new lease after expiration of the lease term solely due to Port delays); without Port consent the increase shall be 200%. This is a new business practice for the Port intended to encourage tenants to renegotiate their leases in advance of their natural termination date and to maximize the Port's ability to renew leases to current market rates in a timely fashion.

3. The addition of other site-specific measures to reflect unique aspects of the fish processing industry including:
    - Delegation to the Executive Director the ability to consent to subleases pursuant to her review and approval of the proposed terms of the sublease and review and approval of the form of sublease by the City Attorney.
    - Upon receipt of tenant's request to sublease greater than 50% of tenant's leased premises, Port shall have the option to recapture the proposed sublease premises. This provision allows Port to maintain direct relationships with the fish processors and tenants utilizing Port property.
    - Additional insurance for apron cranes to ensure the Port minimizes risk from the use of this industrial equipment.
    - Delete the ability of tenants to obtain leasehold financing from the boilerplate; provided, however, Port staff recommends that the Commission delegate to the Executive Director the ability of tenants to encumber the leasehold on an individual basis after reviewing the terms proposed by the tenant and approved lender should such financing be a critical requirement of a proposed tenant.

Please note that while the updated lease is specifically for the Pier 45 fish processors, the approval of this lease will establish business policies more representative of commercial leasing practices. These policies are anticipated to be incorporated into other boilerplate leases at Port facilities such as The Pier 50 Administrative Building at 401 Terry Francois Blvd., Building 11 at Pier 70, the Agriculture Building, and the Pier 80 Administrative Building at 501 Cesar Chavez Street. The updated boilerplate leases for these facilities will separately be brought before you for approval.

RECOMMENDATION

Port staff recommends that the Port Commission approve the updated Pier 45 Fish Processor Lease and authorize the Port's Executive Director or her designee to execute such leases with terms substantially similar to the provisions of this staff report in a form approved by the City Attorney

Prepared by: Phil Williamson, Senior Property Manager
For: Mirian Saez, Deputy Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-23

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, as amended by Resolution 93-135, by Resolution No. 94-112, and by Resolution No. 05-57, this Commission authorized the Executive Director to approve and execute leases that conform to all of the Leasing Parameters set forth in Resolutions No. 93-127, 93-135, 94-112, and 05-57; and

WHEREAS, The existing form of lease for the Pier 45 fish processors was formulated more than ten years ago and does not contain many of the current City Requirements and does not reflect current Port business practices and policies; and

WHEREAS, The form of lease for the Pier 45 fish processors has now been updated to incorporate current City Requirements including, among others, the First Source Hiring Program, Healthcare Accountability Ordinance, Sunshine Ordinance, Domestic Partners Ordinance, Prevailing Wages, and Limitation on Contributions; and

WHEREAS, The form of lease for the Pier 45 fish processors has now been updated to incorporate current Port business practices and policies including, among others, the calculation of security deposits, rental rate increases, holdover rent, Port's option to recapture the premises upon tenant's request to sublease greater than fifty percent (50%) of the leased premises, authority of the Port's Executive Director to consent to subleases without obtaining separate Port Commission approval in each instance, elimination of the tenant's ability to encumber its leasehold interest with a leasehold deed of trust (except in limited circumstances), and authority of the Port's Executive Director to accept a letter of credit in form acceptable to the Executive Director, in lieu of a cash security deposit, on a case by case basis; and

WHEREAS, In connection with the update of the form of lease for the Pier 45 fish processors, Port staff has sought and received both general feedback from the Fisherman's Wharf Waterfront Advisory Group (FWWAG) and specific feedback from the existing fish processing tenants at Pier 45; and

WHEREAS, Based on the foregoing updates, the terms outlined in the accompanying Agenda Summary for this Item, and discussions with FWWAG and existing fish processing tenants at Pier 45, Port staff recommends that the Port

Commission authorize Port staff to use the updated form of lease for the Pier 45 fish processors, a copy of which is on file with the Commission Secretary, as a basis for negotiating and executing lease agreements at Pier 45 Shed B and Pier 45 Shed D; now therefore be it

RESOLVED, That the Port Commission hereby approves and adopts the updated form of lease for the Pier 45 fish processors outlined in the staff report dated March 22, 2006 and authorizes the Port's Executive Director or her designee to execute new leases with the fish processing tenants at Pier 45 using the updated form of lease for the Pier 45 fish processors, in a form approved by the City Attorney, and on terms substantially similar to the provisions described in said staff report; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director of the Port, or her designee, the authority to consent to subleases on terms acceptable to the Executive Director, or her designee, without separately presenting the terms of such sublease to the Port Commission for approval; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director, or her designee, the authority to consent to the encumbrance of a leasehold deed of trust against an individual tenant's leasehold interest at Pier 45 Sheds B or D, on a case by case basis, upon approval of the lender and the terms and conditions of such leasehold deed of trust; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director, or her designee, the authority to accept a letter of credit in form acceptable to the Executive Director, in lieu of a cash security deposit, on a case by case basis, from any of the fish processing tenants at Pier 45; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director, or her designee, the authority to make non-material changes or modifications (including, but not limited to, any updates to City requirements) to the updated form of lease for the Pier 45 fish processors approved this day, as she deems necessary or appropriate, in consultation with the City Attorney, to consummate the transactions contemplated hereby or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee, of any such document.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 28, 2006

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Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

March 22, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director MMoyer

SUBJECT: Request approval of the terms and conditions in the standard form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70.

DIRECTOR'S RECOMMENDATION: Request approval of the terms and conditions in the standard form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70.

BACKGROUND

On September 8, 1993, the Port Commission by Resolution No. 93-127 (the 1993 Resolution) delegated authority to the Executive Director to approve and execute leases on behalf of the Port provided that the terms of said leases meet certain business parameters. These pre-approved business parameters established rental rates for different types of facilities, an approved boilerplate lease, and set a maximum lease term of five (5) years.

It was anticipated by the Port Commission that following the 1993 Resolution Port staff would seek re-approval from the Commission when significant changes are made to the standard form lease. In recent months, Port staff has worked with the City Attorney to update several Port standard form leases to reflect updates in Real Estate industry standards, reflect changes to Port business practices and update Port policies. These modifications to the standard form lease include the following:

- The addition of current City requirements including First Source Hiring programs, Health Care Accountability Ordinance, and domestic partnership benefits and other applicable city ordinances;

This Print Covers Calendar Item No. 4B

- Inclusion of a Port option to relocate tenant, at Port's cost, within facility to maximize space utilization;
- Fixed annual rent increases not to exceed 5% per annum replacing the Port's current practice of annually determining the percentage change in the Consumer Price Index ("CPI");
- The right of the Port to recapture costs specific to each facility, such as common area charges;
- A requirement that the cash security deposit is equal to two times the minimum monthly rent for the final year of the lease;
- Delegation to the Executive Director, or her designee, on an individual basis, the ability for tenants to provide a Letter of Credit in lieu of cash to fulfill the security deposit requirement of a lease
- Holdover tenancies, with the Port's consent, shall result in a 150% increase of the previous base rent (not applicable if Port and tenant are unable to execute a new lease after expiration of the lease term solely due to Port delays); Holdover tenancies, without Port consent, shall result in a 200% increase of the previous base rent. This is a new business practice for the Port intended to encourage tenants to renegotiate their leases in advance of their termination date and to maximize the Port's ability to lease space at current market rates in a timely fashion.
- The modification of the Port's rights in connection with a tenant's request to assign the lease or sublease the premises (in each case, a "Transfer") to include, among others:
  1. The Port's right to deny a request for a transfer.
  2. The Port's right to recapture the space subject to the Transfer and negotiate directly with the proposed assignee or subtenant or enter into a direct lease or occupancy agreement at Port's sole discretion.

RECOMMENDATION

Port staff recommends that the Port Commission approve the updated standard form lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70 and authorize the Port's Executive Director or her designee to execute such leases with terms substantially in the updated form lease that is on file with the Secretary of the Port Commission as approved by the City Attorney

Prepared by:	Jeffrey A. Bauer, Senior Property Manager Elliott Riley, Senor Property Manger
For:	Mirian Saez, Deputy Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-24

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, as amended by Resolution 93-135, by Resolution No. 94-112, and by Resolution No. 05-57, this Commission authorized the Executive Director to approve and execute leases that conform to all of the leasing parameters set forth in Resolutions No. 93-127, 93-135, 94-112, and 05-57; and

WHEREAS, The existing standard form of lease does not reflect current City requirements or the current Port business practices and policies; and

WHEREAS, The form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70 has now been updated to incorporate current City requirements and current Port business practices and policies including, among others, the calculation of security deposits, rental rate increases, holdover rent, Port's option to recapture the premises upon tenant's request to sublease the leased premises or assign the lease; and

WHEREAS, Port staff recommends that the Port Commission authorize the Port's Executive Director to accept a letter of credit in form acceptable to the Executive Director, in lieu of a cash security deposit, on a case by case basis for approved tenants; and

WHEREAS, Based on the foregoing updates, the terms outlined in the accompanying Agenda Summary for this Item, Port staff recommends that the Port Commission authorize Port staff to use the updated form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70, a copy of which is on file with the Port's Commission Secretary, as a basis for negotiating and executing lease agreements at The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70; now therefore be it

RESOLVED, That the Port Commission hereby approves and adopts the updated form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70 filed with the Port Commission Secretary and authorizes the Port's Executive Director or her designee to execute leases with tenants of the Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70 using the updated form of lease for each of the respective buildings, in a form approved by the City Attorney, and on terms substantially similar to the provisions of this Agenda Summary; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director of the Port, or her designee, the authority to accept a letter of credit in form acceptable to the Executive Director, in lieu of a cash security deposit, on a case by case basis for approved tenants of The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70; and be it further

RESOLVED, That the Port Commission delegates to the Executive Director of the Port, or her designee, the authority to make non-material changes or modifications (including, but not limited to, any updates to City requirements) to the updated form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11, Pier 70 approved this day, as she deems necessary or appropriate, in consultation with the City Attorney, to consummate the transactions contemplated hereby or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee, of any such document.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 28, 2006.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

March 22, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique A. Moyer
Executive Director

SUBJECT: Request Approval to Reject Proposal to Berth the USS Iowa at the Port of San Francisco

DIRECTOR'S RECOMMENDATION: Reject Proposal to Berth USS Iowa at the Port

The Port has received numerous inquiries from groups interested in berthing historic vessels on the San Francisco Waterfront. These vessels range from tugboats, ferry boats, icebreakers to passenger liners and aircraft carriers. The Port of San Francisco currently has an extensive inventory of historic vessels. Most notable is the San Francisco Maritime National Historical Park on Hyde St. Pier at Fisherman's Wharf which features six vessels including the square-rigger Balclutha attracting approximately 150,000 visitors per year. The World War II submarine, USS Pampanito, is berthed at Pier 45 and draws over 100,000 visitors annually. Next to the USS Pampanito is the SS Jeremiah O'Brien, one of the last operational Liberty Ships and a reminder of the significant role of the merchant marines in World War II.

The Port of San Francisco and the US Navy have a relationship that dates back nearly 160 years to when Captain John Montgomery of the USS Portsmouth in 1846 placed the first American Flag in San Francisco. For the past 25 years, the Port of San Francisco has been the host to Fleet Week, the annual celebration of our naval heritage. Additionally, the Port proudly hosts numerous US Navy vessels throughout the year for liberty calls. In 1997, the Port was host to the commissioning of the USS Hopper in 1997 and the USS McCampbell in 2002.

In an effort to evaluate proposals for berthing an historic ship in San Francisco, the Port Commission approved a Historic Vessel Policy in 2005 that outlines the specific steps parties must follow for their proposal to be endorsed by the Port Commission (see Attachment A).

This Print Covers Calendar Item No. 5A

In 1996, the City of San Francisco partnered with a local non-profit group, USS Missouri Allied Forces Memorial to place the battleship USS Missouri at Pier 30-32 to become a museum and memorial. As envisioned, the USS Missouri would have served as a part of a naval museum and memorial. The City of San Francisco, through the Mayor's Office of Community Development, offered to loan this group $1,435,000 from the Federal Community Development Block Program and the Port would have provided $400,000 in funds for pier preparation. While the City and the Port in 1996 jointly submitted an application to the US Navy to berth the ship in San Francisco, the US Navy ultimately selected Pearl Harbor in Hawaii.

USS Iowa

The USS Iowa (BB-61) is the namesake of the most powerful and fastest class of battleships ever launched by the United States. Along with the USS Missouri (BB-63) and the USS Wisconsin (BB-64) they comprise the US Navy 'Iowa' class battleships. The USS Iowa and the men and women who served upon her saw combat in both World War II and the Korean War. The USS Iowa earned nine battle stars for World War II service and two for Korean service.

Historic Ships Memorial at Pacific Square ("HSMPS") is a 501(c)(3), California non-profit, public benefit corporation, whose principals are many of the individuals formerly involved in the USS Missouri effort. HSMPS was established to acquire custodianship of the USS Iowa for use as a museum and memorial in San Francisco.

In 1998, HSMPS submitted a formal application to the US Navy to acquire custodianship of the USS Iowa. At the time, Port Executive Director Douglas Wong wrote a letter of support to the Secretary of the Navy, expressing the Port's interest in having the USS Iowa as a museum at the Port of San Francisco. The ship was then in "donation status," but later that year her status was changed by Congressional mandate to "reserve status" making it unavailable for use as a museum. The USS Iowa returned to the US Navy's reserve fleet, where she remains today. In 1999, Mayor Willie L. Brown, Jr. wrote a letter to the Secretary of the Navy recommending the Port of San Francisco as the berthing site for the USS Iowa once she becomes available as a museum.

In 2000 the US Navy evaluated San Francisco Bay as a location for the USS Iowa in reserve status. This analysis showed that it would be less expensive for the ship to be berthed at Suisun Bay than in Rhode Island, where she was then located. Thus, the USS Iowa was transferred to Northern California funded by a defense appropriation of $3 million. Since 2001, the vessel has been berthed at the Maritime Administration's Western Region Reserve Fleet in Suisun Bay.

In June 2005, the Port received an unsolicited proposal from HSMPS to berth the USS Iowa at the Port. HSMPS identified four Port alternative berthing locations for the USS Iowa.

San Francisco Board of Supervisors Action

In July 2005, the San Francisco Board of Supervisors voted against supporting the berthing of the USS Iowa in San Francisco by a vote of 8-3. While the Board cannot dictate to the Port not to berth the ship, the Board has the ability to consider approval of any commercial ground lease which would be needed for this visitor attraction. Additionally, if an Environmental Impact Report is required and ultimately appealed, the Board of Supervisors would have to act on that appeal.

In January 2006, the Port received a letter from San Francisco Board of Supervisor member Fiona Ma requesting that the Port Commission conduct a "public hearing to consider the placement of the USS Iowa on our waterfront." Port staff met formally with HSMPS on January 5, 2006 to discuss the Port's review and analysis of their proposal. At that meeting, Port staff outlined areas of concern and asked for additional information regarding the financial viability of the proposal to berth the USS Iowa at the Port as a museum and visitor attraction.

The Fiscal Year 2006 Defense Authorization provides language that would eventually ask the US Navy to transfer the USS Iowa from "reserve" to "donation" status making it subject to the Navy's Ship Donation Program. This change of status would allow the US Navy to entertain bids from parties interested in establishing a floating museum but the specifics of the authorization limit the location for such a museum to be within California. The Port of Stockton is developing a proposal to have the ship berthed there to serve as a museum and memorial.

HSMPS Proposal Does Not Meet Port Historic Vessel Policy

The Historic Vessel Policy approved by the Port Commission in 2005 requires applicants interested in bringing an historic vessel to San Francisco to:

1. Present a proposal demonstrating the financial resources necessary to successfully develop the attraction.

   The proposal does not include any financial information about HSMPS. There are no apparent cash reserves nor any identified capital for the required initial capitalization costs. Their proposal anticipates that focused fundraising efforts will be sufficient to raise the enormous capital necessary to set up a site for the ship and assure on-going maintenance. However, no specific fundraising entity is identified and no track record is available for Port review and analysis.

2. Fund a feasibility and demand study to be completed by an independent party detailing expected attendance, expenses and revenues.

   The HSMPS proposal includes a letter report commissioned by the Port in 1995 from Economics Research Associates (ERA) regarding berthing the USS Missouri at Pier 30/32. This report is ten years old and ERA states that it represented "a very preliminary assessment of the ships potential performance." A letter from HSMPS to the Port dated February 10, 2006 states that an independent feasibility analysis is "not necessary." Port staff believes this preliminary, dated report on the USS Missouri does not meet the requirements of the Port policy.

3. Provide a guaranteed annual minimum rent.

   The HSMPS proposal for Pier 48 (only available location due to reasons cited below) does not provide the Port with a guaranteed minimum annual rent because 50% of total improvement costs can be credited against base rent. Therefore, the rent payable by HSMPS will vary depending on final tenant improvement costs.

In summary, Port staff believes that HSMPS' proposal does not meet the requirements of the Port's Historic Vessel Policy.

HSMPS's Proposal to Berth Ship Overlooks Existing Commitments and Lacks Financial Capacity to Fund Initial Capital Costs

The 2005 HSMPS proposal examined four potential Port berthing locations, as noted below, and ranks them according to location, demand, and pier side installation and improvement costs. Additional costs included in the initial capitalization, e.g. working capital, towing, and shipyard costs are also detailed in the proposal.

Three of the four locations are not available due to current Port contractual commitments for cruise berthing and/or mixed use development. The Port projects continued use of Piers 35N and Pier 27 after the completion of the James R. Herman International Cruise Terminal at Piers 30-32 to accommodate days with multiple cruise calls. For the fourth location, Pier 48, HSMPS requests a 66 year lease due to the $28.8 million of berth improvements specific to that location.

HSMPS proposes four locations ranked in order of preference with their initial capitalization costs and current Port contractual commitments:

Rank/Location	Pier Side Installation	Additional Costs	Total Initial Capitalization	Port Contractual Commitments
#1 Pier 35N	$4.6m	$8.1m	$12.7m	Current cruise terminal
#2 Pier 27	$1.6m	$7.9m	$9.5m	Mixed use development
#3 Piers 30/32	$9.2m	$2.5m	$11.7m	Cruise terminal development
#4 Pier 48	$28.8m	$7.9m	$36.7m	Available - HSMPS requests 66 year lease

HSMPS has not shown the financial capacity necessary to cover the initial capital costs to berth the USS Iowa at Pier 48.

In addition, Pier 48 is designated as a maritime facility in the Port's Waterfront Land Use Plan, and is not designated as a Maritime Mixed Use development Opportunity Area. Pier 48 is also designated in BCDC's San Francisco Bay Area Seaport Plan as a cargo terminal for potential future bulk operations. Any proposal that includes development of the sheds for a museum and commercial uses would require plan amendments to be approved by the Port Commission and BCDC Commission.

Additional Shortcomings of HSMPS Proposal

Port staff identified the following areas of concern:

- **No Demand Analysis Performed.** HSMPS has not provided a demand analysis of expected visitor attendance for the USS Iowa. Visitor traffic projections are based on a very preliminary study of visitor traffic for the USS Missouri done by ERA Associates in 1995. No projected breakdown of attendance between the tourist/convention market and the local (or resident) market has been provided. Finally, no market penetration analysis has been prepared. For example, the Hyde Street Pier Maritime National Historical Park

attracts approximately 150,000 visitors each year while the USS Pampanito, at Pier 45, has 100,000 visitors annually. The HSMPS proposal assumes attendance of between 500,000 and 1 million visitors per year. These figures appear to be based on the 500,000 visitor cited in the 1995 ERA study. The 1 million visitor figure is based on visitors to the USS Constitution and the Arizona Memorial at Pearl Harbor. But, the ERA study indicated that admission was free to both the USS Constitution and the Arizona at the time the study was done. By contrast, the USS Hornet currently attracts 42,000 visitors at an average ticket price of $10.

- **Declining Attendance After Initial Year.** While the 1995 ERA study projected steadily falling attendance after the first year for years two to five, stabilizing at year five, the HSMPS proposal provides no attendance analysis.

- **Admission Fees.** HSMPS has not provided an analysis of the appropriate level of admission fees. Admission fees assumed by HSMPS for the USS Iowa are equal to those charged by the Intrepid-Sea-Air-and Space museum in New York City. Average admission fees are assumed by HSMPS to be $12.85 for Year one, increasing 3% annually thereafter. As noted above, some historic ship venues are free.

- **Attendance Revenue.** HSMPS calculates admission revenues by multiplying attendance times the average admission fee. The 1995 ERA preliminary study used an average ticket price of $7.74. Assuming this price, first year attendance was projected to be 520,000. The first year average admission rate for the USS Iowa of $12.85 is 66% greater than the 1995 rate of $7.74 used in the ERA study. For reference, the inflation rate for the San Francisco Bay Area (as measured by the change in the CPI) from 1995 – 2005 equaled 31.1%. Visitor counts for subsequent years could also be less than those projected by ERA as a result of HSMPS assumed pricing increases. These factors could result in lower revenues than anticipated by HSMPS and potentially operating losses given the HSMPS operating cost profile.

- **Expenses.** With the exception of utility costs, HSMPS has not provided any assumptions for projected operating expenses. While no information on staffing levels, positions, or salaries were provided in the original proposal, HSMPS did recently supply this information to the Port. No justification has been provided for the other operating expense line items. Annual dredging expense in the HSMPS proposal varies from a high of $1.1 million at Pier 48 to a low of $106,000 at Pier 30/32 in the first year of operation with no explanation for the disparity. No information on capitalization is included in the proposal.

Conclusion

Port staff has concluded that three of the four Port of San Francisco locations HSMPS has proposed for berthing the USS Iowa are unavailable due to existing contractual obligations as well as a need to support cruise terminal operations for the foreseeable future. The cruise industry provides major economic benefits for the Port and the City.

The financial analysis provided in the HSMPS proposal to date is not adequate. The HSMPS business plan is based upon a ten-year old cursory analysis for a different ship and assumes

berthing at a pier that is no longer available. The demand statistics and expense calculations provided in the HSPMS proposal are questionable. Port staff is fully aware that annual maintenance costs for a 60 year old vessel are high and continuous. Berth infrastructure costs at the only available Port location (Pier 48) are extremely expensive – in excess of $28 million according to HSMPS. The ability of HSMPS to fund these obligations is critical to any engagement with the Port of San Francisco. While we acknowledge and appreciate the historical importance of the USS Iowa and the significant role that the US Navy plays in our City's history, Port staff and Commissioners have a fiduciary obligation to ensure that adequate resources are available from the proposer.

The HSMPS business plan shows no apparent capitalization and apparently relies solely upon fundraising from corporate and individual sources. HSMPS has no demonstrated fundraising experience upon which to judge their ability to finance the proposal. Therefore, the Port lacks confidence in their ability to be financially viable.

In a February 10, 2006 letter to the Port, HSMPS stated that "without the formal identification of the pier(s) for berthing the USS Iowa, evidence of firm funding is not available." However, in the Port's experience, not-for-profit organizations interested in developing attractions on the waterfront have been able to show significant contingent funding pledges prior to having site control. HSMPS's inability to show tangible funding/financing plans or commitments from potential donors casts significant doubt on the viability of their proposal.

Recommendation

Port staff recommends that the Port Commission find that the HSMPS proposal does not meet the requirements of the Port's Historic Vessel Policy and therefore reject the proposal.

Prepared by: Peter Dailey
Director of Maritime

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 06-25

WHEREAS, the Port of San Francisco has a long relationship with the US Navy dating back to 1846; and

WHEREAS, the Port of San Francisco continues to host the US Navy's annual Fleet Week to celebrate its naval heritage; and

WHEREAS, the Port of San Francisco continues to welcome the regular berthing of US Navy vessels and the commissioning of two new US Navy vessels in recent years; and

WHEREAS, the Port of San Francisco is home to six historic vessels including the USS Pampanito and USS Jeremiah O'Brien; and

WHEREAS, in 1996, the City and County of San Francisco partnered with the USS Missouri Allied Forces Memorial to place the USS Missouri at the Port of San Francisco, which included federal funding; and

WHEREAS, in 1998, the Historic Ships Memorial at Pacific Square submitted an application to the US Navy to acquire custodianship of the USS Iowa and the Port Executive Director and Mayor of San Francisco expressed interest in berthing this vessel when available; and

WHEREAS, in June 2005, the Port received an unsolicited proposal from the Historic Ships Memorial at Pacific Square for berthing of the USS Iowa on Port property (the "Proposal"); and

WHEREAS, in July 2005, the Board of Supervisors rejected the berthing of the USS Iowa in San Francisco; and

WHEREAS, on February 8, 2005, by Resolution No. 05-12, the Port Commission approved the Historic Vessel Policy stipulating that any proposal demonstrate the financial resources necessary to undertake the project, fund an independent feasibility and demand study, and commit to pay a guaranteed annual minimum rent; and

WHEREAS, Port staff from multiple divisions have met to review the Proposal and requested detailed information to meet the requirements of the Historic Vessel Policy; and

WHEREAS, the Historic Ships Memorial at Pacific Square has not:

(i) demonstrated the financial resources necessary to undertake this project from either HSMPS's own funds or commitments from potential donors, and

(ii) funded an independent feasibility and demand study both of which are required by the Historic Vessel Policy; and now, therefore, be it

RESOLVED, that the Port Commission finds that the Historic Ships Memorial at Pacific Square Proposal does not meet the requirements as stipulated by the Port's Historic Vessel Policy; and

RESOLVED, that the Port Commission reject the Proposal from the Historic Ships Memorial at Pacific Square.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of March 28, 2006.

_____
Secretary

-Attachment A-

PORT OF SAN FRANCISCO

MEMORANDUM

February 3, 2005

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Approval of Historic Vessel Policy

DIRECTOR'S RECOMMENDATION: APPROVE HISTORIC VESSEL POLICY

BACKGROUND

San Francisco, a city proud of its maritime tradition and origins, is home to a number of historic ships and the San Francisco Maritime National Historic Park. Thus people have the opportunity to experience the vessels that helped mold the San Francisco of today. The Port's Waterfront Plan states "the evolution of the waterfront from its beginning to the present reflects San Francisco's colorful history. The waterfront should continue to serve as a repository for memories of past events, while also providing a stage for new experiences." The Port therefore seeks "to preserve the past and allow for future waterfront memories."

In recent years, the Port has received numerous inquiries from groups looking to berth additional historic vessels on the San Francisco waterfront. These vessels range from tugboats, ferryboats, and icebreakers, to passenger liners, battleships, and aircraft carriers. This Historic Vessel Policy is an attempt to outline the issues and conditions under which the Port would consider adding more historic vessels to the waterfront. This policy is intended to assist those persons or groups looking to bring a ship to San Francisco by providing the specific steps they must follow for their proposal to be endorsed by the Port Commission.

Current Inventory of Port's Historic Vessels

Many of the Port's historic ships are berthed at the San Francisco Maritime National Historical Park on Hyde Street Pier at Fisherman's Wharf. Operating since 1963, this floating national park, which features six vessels built between 1886 and 1914, most notably the square-rigger *Balclutha*, attracts approximately 150,000 visitors each year.

THIS PRINT COVERS CALENDAR ITEM NO. 8A

The World War II submarine, *USS Pampanito*, berthed at Pier 45 East since 1982, draws over 100,000 visitors annually. Also at Pier 45 East, astern of the sub, is the *SS Jeremiah O'Brien*, one of the last operational Liberty Ships, a dynamic reminder of the significant role of the merchant marines in World War II.

Additionally, the 1927-built ferry *Santa Rosa* is moored at Pier 3 and serves as the Executive Offices of Hornblower Dining Yachts. Its public open space offers visitors a glimpse of regional bay transit before the bridges and BART.

Other Bay Area Historic Vessels

Beyond the Port of San Francisco, there are several historical vessels in the Bay Area region. These include:

- Historic aircraft carrier *USS Hornet* at Alameda
  Designated as a National Historic Landmark. Distinguished service record in World War II and recovered Apollo 11 and 12 space capsules.

- Presidential yacht *USS Potomac* at Port of Oakland (Jack London Square)
  Designated as a National Historic Landmark. Yacht of President Franklin Roosevelt during World War II.

- Victory Ship *SS Red Oak Victory* at Port of Richmond
  This merchant cargo vessel is one of the last remaining Victory ships and one of the last ships produced at Kaiser Shipyard in Richmond, California.

- Coast Guard lightship *Relief* at Port of Oakland (Jack London Square)
  Designated as a National Historic Landmark. One of six all-welded lightships constructed for the US Coast Guard.

- Patrol Boat Riverine PBR Mark II at Vallejo (Mare Island)
  Utilized in Vietnam War, this 31-foot vessel could operate in less than two feet of water and run at speeds in excess of 35 knots.

- Coast Guard lighthouse tender *Fir* at Rio Vista
  Designated as a National Historic Landmark. Last working member of the US lighthouse fleet.

National Historic Vessels

According to the Historic Naval Ships Association, there are 119 naval ships in the country that are currently open to the public as museums. The average number of visitors is 118,057 per year, as stated in the most recent economic impact report. From a sample of reporting organizations, the average annual operating income was $1,874,206 and the average annual operating expense was $1,929,597.

Financial Arrangements
The financial terms of current Port leases and berthing agreements with historic vessels are based on rental of the pier apron and shed against a percentage of ticket and merchandise gross sales, (between 6-9 %), whichever is greater.

Hyde Street Pier: Operated by the National Park Service. Month-to-month permit since April 1997. Annual revenue to the Port is $43,000. The National Park Service is responsible for all maintenance, including pier substructure.

USS Pampanito (Pier 45): Preliminary four-year lease term, 2004-2008, construction period for new museum and classroom. Subsequent 20-year lease term to 2028 upon completion of construction. Annual rental revenue to the Port during preliminary term is $50,400, plus approximately $4,000 based on percentage of ticket and gift shop sales. Annual rental revenue increases to $66,000 in subsequent term estimated to begin in 2008.

SS Jeremiah O'Brien (Pier 45): Ten year lease, 2004-2014. Annual guaranteed revenue to the Port is $30,000 against a percentage of gross receipts. Tenant, National Liberty Ship Memorial, is responsible for fendering and dredging. Port is responsible for common areas, pier substructure, shed roof, walls, and doors.

Ferryboat *Santa Rosa* (Pier 3): Thirty-two year lease, 1998-2030. Annual revenue to the Port is $47,000. Tenant, Ferryboat Santa Rosa Partners, is affiliated with Hornblower Yachts, who has maintenance responsibility for the premises.

Waterfront Land Use Plan
The Port's Waterfront Land Use Plan lists specific piers, by geographic sub-area, that could be considered as possible facilities for historic ships. The Plan defines historic ship use as "primary, support and ancillary facilities for display of historic vessels including but not limited to: berthing areas, museum/exhibit and administrative space, storage maintenance and workshop space and employee and visitor parking."

Historic ship uses, as defined above, are acceptable at the following locations, per the land use table in the Waterfront Plan. (Please note, this list was compiled in 1997; several of these locations are under current lease, and some have been removed.)

Fisherman's Wharf
Hyde Street Pier; Outer Lagoon (water); Fish Alley SWL 303; SWL 302; Inner Lagoon (water); Pier 49; Pier 45 East; Pier 43½; Pier 43; Pier 41½; Pier 41; Pier 39½; Pier 39; Pier 35½

Northeast Waterfront
Pier 35; Pier 33; Pier 31½; Pier 27/29; Pier 29½; Pier 15/17

South Beach/China Basin Waterfront
Piers 26; Pier 26½; Pier 28; Piers 30-32; Pier 46B; Pier 48; Pier 48½; Pier 50; Pier 54

Southern Waterfront
Pier 70 Mixed Use Opportunity Area (Portions of Pier 68 and SWL349); Pier 70 Maritime Area (Pier 70, portions of Pier 68 and SWL 349); Islais Creek

Regulatory Requirements
The Bay Conservation and Development Commission (BCDC) require project approvals for static historic vessels; therefore historic ship proposals must be consistent with BCDC's historic ship berthing policy. BCDC can allow a wide variety of commercial uses on historic vessels that were built before 1932 and that played a significant role in the maritime history of the Bay. However, any commercial use of newer vessels and those that were not part of the Bay's history has to be minor in nature and limited to that necessary to allow visitors to understand the historical significance of the ship. Additionally, the BCDC Special Area Plan policy allows for a minor amount of fill created by the mooring of historic ships. Further the policy allows berthing to occur in some of the designated open water basins.

Projects will also need to adhere to the provisions of the California Environmental Quality Act, Regional Water Quality Control Board, and the U.S. Army Corps of Engineers.

Other Efforts to bring Historic Vessels to San Francisco
USS Missouri. In 1996 the City of San Francisco partnered with a local nonprofit group, *USS Missouri* Allied Forces Memorial, to place the battleship *USS Missouri* at Pier 30-32 to become a museum and memorial. As envisioned, the *USS Missouri* would have served as the centerpiece of a naval museum including other historic vessels and landside retail uses. The City of San Francisco, through the Mayor's Office of Community Development, offered to loan this group $1,435,000 from the Federal Community Development Block Program. The Port also offered to furnish $400,000 in funds to be applied to prepare the piers for the berthing of the vessel. The $400,000 was envisioned to be repaid through a monthly rent surcharge.

The Port hired a firm to conduct a preliminary study of the potential annual visitation of the *USS Missouri* at Pier 30-32, as well as the expected yearly income and expenses. This analysis projected attendance of approximately 520,000 in the first year, leveling off to 450,000 after five years. The City and the *USS Missouri* group jointly submitted an application to the US Navy to establish the ship in San Francisco. The Navy ultimately selected Pearl Harbor, Hawaii, as the destination for the *USS Missouri*, where she is berthed today as a complement to the *USS Arizona* Memorial.

USS Iowa. Historic Ships Memorial at Pacific Square (HSMPS), whose principals are many of the individuals involved in the *USS Missouri* effort, identified another battleship, the 888-foot *USS Iowa*, as a candidate for a museum and memorial at San Francisco. This vessel is

currently being help by the Navy in mobilization status, and therefore is not currently available for donation. It is expected the Navy will reclassify the *USS Iowa* to donation status, at which time the Navy would consider proposals from qualified nonprofit organizations or public entities.

In 1998 HSMPS submitted a formal application to the Navy to acquire custodianship of the *USS Iowa*. Port Director Douglas Wong wrote a letter of support to the Secretary of Navy, expressing the Port's interest in having the *USS Iowa* as a museum at the Port of San Francisco. The ship was then in donation status, but later that year her status was changed by Congressional mandate to reserve status. The *USS Iowa* returned to the Navy's reserve fleet, where she remains today. In 1999 Mayor Willie Brown wrote a letter to the Secretary of the Navy recommending the Port of San Francisco as the berthing site for the *USS Iowa* once she becomes available as a museum.

In 2000 the Navy investigated San Francisco Bay as a location for the *USS Iowa* in reserve status. The analysis showed that it would be less expensive for the ship to be berthed at Suisun Bay than in Rhode Island, where she was then located. In 2001 the vessel was relocated to the Maritime Administration Western Region Reserve Fleet in Suisun Bay, funded by a defense appropriation of $3 million.

Recent meetings between the Port and the Navy have indicated that the *USS Iowa* will remain on reserve status for the next three to four years unless Congressional action speeds that process. The reserve status designation usually precludes any significant public access.

In addition to HSMPS, Port staff is aware that the Hunter's Point Shipyard Advisory Committee has also expressed interest in acquiring the *USS Iowa* as a museum. The Port of Stockton is developing a proposal to have the ship be berthed there to serve as a museum/memorial. Congressman Richard Pombo of California introduced legislation on February 1, 2005, to make the *USS Iowa* eligible for donation status and to lay the groundwork to designate Rough and Ready Island at the Port of Stockton as the vessel's dwelling place.

Historic Vessel Policy – Basic Criteria for Consideration

Port staff has developed the following basic criteria for considering berthing at the Port of any additional historic vessels. These criteria are based on interviews with various persons and entities involved in historic ships in the country, concurrence with local lease regulations and policies, review of the Port's Waterfront Land Use Plan and other regulatory requirements.

Historic ship proposals will be reviewed based upon the following minimum criteria:

- Financial Viability of Applicant. The party presenting the proposal must demonstrate the financial resources to be successful in developing the attraction. Non-military vessels will be required to have a vessel removal bonding plan.

- Additional historic vessels are to compliment current Port museums and attractions. Port staff will analyze whether any additional historic vessels would detract from the financial viability of other Port historic vessels and other Port commercial tenants, particularly those in meeting space and hospitability service.

- Active Port marine terminals will not be considered as berths for static museum vessels.

- Any additional historic vessels should have a connection or historical relationship to San Francisco, San Francisco Bay or Northern California.

- Vessel sponsor will be responsible for all costs of site preparation including substructure, superstructure, dredging, utilities and mooring.

- Lease agreement will be same as other current agreements (minimum annual lease guarantee with percentage of ticket revenues).

- Clear title of vessel. The Port will not entertain any historic vessel unless the project sponsor has clear title or control of the vessel. An exception will be made for military vessels being placed on donation status (see below).

- Project sponsor will be required, as part of submittal for consideration, to fund a demand and feasibility study by an independent party subject to Port approval, detailing expected attendance, expenses, and revenues.

- Project sponsors of military vessels to be placed on donation status that require City partnership must obtain a resolution from the Mayor's Office determining which City location is most desirable: Port, Hunter's Point, or Treasure Island. In the case of multiple interested parties, the Port, if selected by the Mayor's Office, will subsequently publish a Request for Qualifications to entities interested in partnering in the submittal to the military. The Port Commission will select the group that will be a part of the City's submittal.

- Project sponsor will be required to obtain, at their sole cost, approvals from, but not limited to, the Bay Conservation and Development Commission, Regional Water Quality Control Board, U.S. Army Corps of Engineers, and U.S. Coast Guard. Additionally the project sponsor will need to adhere to the provisions of the California Environmental Quality Act.

- All costs related to planning, design, regulatory approvals, development of berthing facilities and ship restoration must be borne by the sponsors.

- Berthing agreements for historic vessels will provide for insurance naming the Port as additional insured, the types and amounts of which will be determined by the City's risk manager.

The above represent the minimum criteria to be considered by the Port and in no way represent a guaranty or an obligation of the Port with respect to any proposal. Additional criteria may be required on a case-by-case basis at the Port's sole discretion. The Port Commission retains the ultimate authority, in conjunction with other relevant permitting agencies, to determine whether an additional vessel(s) will be berthed at the Port in the full scope of its legal and fiduciary duty. These criteria are only intended to guide interested persons or groups.

Prepared by: Peter Dailey, Maritime Director

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 05-12

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of San Francisco; and

WHEREAS, under Charter Section B3.581(g) leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, historic vessels are an important part of San Francisco's maritime legacy; and

WHEREAS, the Port is home to many significant historic maritime vessels including the *USS Pampanito,* the *SS Jeremiah O'Brien* and the historic ferry boat *Santa Rosa*, and the Maritime Museum at Hyde Street Harbor; and

WHEREAS, the Port has received numerous inquiries from parties interested in bringing additional historic vessels to San Francisco; and

WHEREAS, the Port, in an attempt to clarify basic considerations and prerequisites for bringing additional vessels to San Francisco, drafted a series of minimal steps that historic vessel sponsors will need to consider; now therefore, be it

RESOLVED, that the Port Commission hereby approves the Historic Vessel Policy, on terms set forth in the memorandum to the Port Commission for this item, a copy of which is on file with the Secretary of the Port Commission, and hereby authorizes the Executive Director of the Port or her designee to instruct Port staff to utilize this policy, in such form as is approved by the City Attorney.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 8, 2005.

Secretary

SAN FRANCISCO
PORT COMMISSION

MARCH 28, 2006
MINUTES OF THE MEETING

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HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. SUE BIERMAN
HON. MICHAEL HARDEMAN
HON. WILFRED HSU

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
MARCH 28, 2006

1. CALL TO ORDER / ROLL CALL

Commission President Ann Lazarus called the meeting to order at 3:10 p.m. The following Commissioners were present: Ann Lazarus, Sue Bierman, Michael Hardeman and Wilfred Hsu. Commissioner Kimberly Brandon was not present.

2. APPROVAL OF MINUTES - March 14, 2006 Meeting

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were in favor; the minutes of the March 14, 2006 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report. Executive Director Monique Moyer reported the following:

- Maiden Voyage of Saga Ruby: The Saga Ruby called at the Port of San Francisco on March 24, 2006 on their maiden voyage. The ship is on an around-the-world cruise. Most interestingly, the vessel is captained by an Irishman. Commissioner Lazarus and many Port staff attended the plaque ceremony. It is the first of many maiden calls that the Port will experience in 2006.

- 25th Anniversary of Waterfront Container Leasing Company: The Waterfront Container Leasing Company celebrated its 25th anniversary as a Port tenant. They have grown and prospered tremendously. In December 1991, Waterfront Container Leasing was a small maritime operation with just three employees. They lease containers for use by the shipping lines. Now they lease approximately 5,000 square feet of office space in the Agriculture Building and they have over 20 employees. She commended the company on their longevity and their tenure with the Port as a good tenant.

4. REAL ESTATE

A. Request approval of the terms and conditions in the standard form of lease for the fish processing facilities in Pier 45, Sheds B and D (Resolution No. 06-23)

Mirian Saez, Deputy Director of Real Estate, indicated that this item is being heard for the third time having presented it as an informational item on December 13, 2005 and February 28, 2006. The details as to the history of the Port's authority to execute

leases adhering to certain business parameters have been discussed in prior presentations. She outlined the Port's outreach efforts and the outcome of meetings with the tenants and their attorneys. In 1994, following the Pier 45 earthquake repair project for the restoration of fish processing facility at Pier 45, the Port executed leases with the fish processors for a term of 10 years. The fish processors improved the space for their own specific needs including building out office, mezzanine and storage work areas. In exchange for the improvement, the fish processors' rents were set at the shed rate for the term of ten years. The original leases have expired or are now expiring and after extensive review process that began in earnest last fall, Port staff presents an updated boilerplate or a form lease consistent with the regulatory requirements of the City and the Port's new business practices. Since the presentation on December 13, 2005, Port staff met with individual fish processors on January 13, 2006 and February 21, 2006. Staff has also made presentations to the Fisherman's Wharf Advisory Group (FSHWAG) on January 17, 2006 and March 21, 2006. On February 13, 2006, the Port was notified by Attorney Tim Cronin that he is representing a group of fish processing tenants. On February 17, 2006 the Port staff finalized the form lease and transmitted the form lease to Mr. Cronin and other fish processors not represented by counsel. Prior to the February 28, 2006 Port Commission meeting, Mr. Cronin was unable to meet with tenants because of his travel schedule and subsequently cancelled the meeting scheduled by the Port to resolve lease issues. Consequently, Port staff recommended the delay of approval of the lease to allow counsel the time necessary to confer with the tenants. The Commission granted the delay until February 14, 2006. Port staff met with a representative of Mr. Cronin's office on March 6, cancelled again and started the delay approval of the February 14, 2006 date because of their inability to meet with all the tenants and gain comments. The delay was again granted until March 28, 2006. Port staff conferred with representatives of Mr. Cronin's office on March 23, 2006. Hours ago, the Port received yet another request for delay of approval. In that request, counsel seeks five areas of relief. Each item is addressed in the staff report but staff concluded that they are not cause for further delay of approval.

Since the original ten year lease, staff seeks approval to incorporate the City requirements and the new business practices into the new lease. Those include:

1. The addition of City recruitments including First Source Hiring Program, Healthcare Accountability Ordinance, Sunshine Ordinance, Prevailing Wages and Limitation on Contributions. These requirements were not included in the original Pier 45 lease because they did not exist during that time.
2. An annual rent increase not to exceed 5% per year. This is a business change. The Port seeks to replace the current practice of annually determining the rent changes utilizing the Consumer Price Index (CPI). Calculating the CPI on rent, preparing a formal letter to notify each tenant of the rent increases and updating the Port's database to reflect these changes have proven burdensome to Port staff, confusing to Port tenants and drained the Port of resources. This policy change will streamline our business operations.
3. Cash security deposit shall be fixed equal to twice the minimum monthly rent in the final year of the lease. The security deposit is currently adjusted on an annual basis on CPI. Calculating the security deposit, CPI increase, preparing a formal letter to notify each of the tenant of the increase and updating the Port's database

to reflect these changes have proven burdensome to Port staff, confusing to Port tenants and drained the Port of resources. Like the CPI change, the policy change will streamline our business operations.

4. Holdover rent increase by a minimum of 150% or 200%. This shall not be applicable if the Port and the tenant are unable to execute a new lease agreement after their expiration dates due solely to the Port's delays. This is a new business practice intended to encourage tenants to renegotiate their leases in advance of their termination date and to maximize the Port's ability to renew leases to current market rates in a timely fashion.
5. Delegation of authority to the Executive Director the ability to consent to subleases with the approval of form by the City Attorney. Currently, this authority lies with the Port Commission.
6. Require the insurance for apron cranes to ensure that the Port minimizes risk from the use of this industrial equipment on Port property.

The following changes were made after consulting with our tenants individually and hearing their specific concerns:

1. The Port will no longer exercise its right to recapture space in connection with the tenant's request to sublease unless the tenant proposes to sublease more than 50% of its lease space as deemed economically feasible by the Port. This provision allows the Port to maintain direct relationships with its fish processors and tenants utilizing Port property.
2. The Port will accept a letter of credit in lieu of cash security deposit on a case-by-case basis. The Port is not required to pay interest on security deposits under State Law; however, Port staff recommends that the Commission delegate to the Executive Director on an individual basis the ability for tenants to provide a letter of credit in lieu of cash to fulfill the security deposit requirement.
3. The Port will approve the ability of the tenants to obtain a leasehold deed of trust on a case-by-case basis. Port staff recommends that the Commission delegate to the Executive Director the ability of tenants to encumber the leasehold on an individual basis after reviewing the terms proposed by the tenants and approved by the lender should such financing be a critical requirement of the proposed lease.
4. The Port will provide two one-year options to renew in addition to a ten-year term on a case-by-case basis to allow for the amortization of the tenant improvements provided that the rent in the option years shall be set at market rate.
5. The Port will no longer collect expenses related to the operation and the management of Pier 45 including common area charges.

The following is a series of changes made after the March 6, and March 23, 2006 meetings between the counsels:

1. The Port agreed to transfer of lease to a beneficiary identified in the tenant's will while not required to Port's prior consent.
2. The Port agreed that the tenant will no longer be required to indemnify the Port in the event of gross negligence or willful misconduct on behalf of the Port.

3. The Port agreed that the tenants will not be responsible for handling the existing hazardous materials on the premises prior to the commencement of the original lease.
4. Deck expenses. The original lease had the tenants maintaining and repairing their decks. Based on the concerns of some tenants that they would incur greater costs to repair their deck space than some of the other tenants due to greater wear and tear on their portion of the deck, the Port believes that the equitable solution is to maintain and repair the deck. Hence, the Port now has the obligation to maintain and repair the deck space and the Port will pass on the cost of such maintenance and repair to the tenant known as deck expenses. The tenant share the deck expenses based on the tenant's percentage of lease shed space.

On August 23, 2005, the Port Commission established minimum rental rates for office space, shed space and second floor warehouse space for the Pier 45 fish processing facilities. The shed space was established at 75 cents per square foot versus an average of 62 cents today. Office space at $1; mezzanine space at 35 cents; exclusive apron use 20 cents versus 10 cents today. The Port Real Estate staff conducted a market survey of fish processing facilities in and around the Bay Area and the West Coast. In general, these rates are below those similar fish processors in and around the Bay Area today.

Commissioner Lazarus asked if any of the added provisions are other than what would be considered as standard provisions for 2006 commercial leases. Deputy City Attorney Grace Park replied that they are standard lease provisions that the Port and the City require in most if not all the real estate uses. The provisions in the updated boilerplate reflect the current market status at this point. Commissioner Lazarus asked if it would be fair to say that there are so many changes because these are ten-year-old leases and the nature of these have shifted over time. Ms. Pak replied affirmatively. Commissioner Lazarus asked if she's comfortable that the assignment of responsibility, liability for maintenance of all the different aspects is laid out clearly so that there will not be future questions about who has primary responsibility for maintenance repair, etc. Ms. Pak replied affirmatively.

Commissioner Hardeman asked if Mr. Cronin or anybody from his office or anybody representing the tenants was present and asked if they have any objection to the fact that the Port is raising rents on renovated spaces such as adding office space to what was an open space. From the tone of their complaint, they seem to think that the Port shouldn't be raising the rents. He asked for an explanation of the process as we would do in any other leases. Ms. Pak replied that it's important to keep in mind that when tenants make improvements to their space, what ends up happening is that it becomes part of the real property so it does end up becoming the landlord's property. Two things can happen: the landlords provide a vacant space or shell space which is what the Port did with the Pier 45 fish processors ten years ago and gave the tenants the option to improve that space. The tenants in the last ten years have been able to utilize more space than what they are actually paying for. If you take that into account, they've actually reaped a lot of benefits over the last ten years plus if the tenants at this point, elected not to renew or extend their leases and there are new tenants coming in, essentially the Port would be charging not just the shed rate but the mezzanine rate or

office space, for all the additional space that are in the premises. It's the standard process. Port staff needs to step back and realize that the tenants have been able to benefit from the improvements that they made. The Port could have elected originally ten years ago to make the improvements that the tenants made. If we had elected to do so, the tenants would not have just paid the shed rate but also the mezzanine rate of the mezzanine space, the office rate for the office space.

Commissioner Hardeman asked about the claimed promises that were verbally described and in writing by one tenant regarding the Port promising additional ten-year options or lease renewals. Ms. Saez indicated that it was her understanding that during the negotiations of the lease ten years ago, the tenants sought an option at the tenth year for an additional ten years. However, that was not part of the lease at that time. The tenant signed on to just a ten-year lease. Now they would like to exercise an option to the ten-year lease but there was no option in the original provision. Today, the Port is offering the tenants a new ten-year lease with two one-year options on a case-by-case basis so that if they would like to make improvements into the space, they can have the additional two years to amortize those improvements.

Ms. Moyer responded to Commissioner Lazarus question about whether the standard provisions are in accordance with the 2006 terms and Commissioner Hardeman question about the rental rates. Ms. Moyer indicated that the office rates that the Commission approved last August at $1 per square foot is still considerably less than 2006 market rates. Triple net office rates on the waterfront for Class A have a floor of about $36 per square foot per year, a $3 per square foot per month more or less. An equivalent rate on Port waterfront for this type of Class C office space is $1.75. There is consideration being given for the type of office that it is in effect that the improvements came to us in the manner that they did.

Ms. Saez indicated that the first point on Mr. Alba's letter in regards to rental rate as Ms. Moyer indicated were established last August and are not part of the negotiations. Option #2 to renew association with current and prior leases, the Port is offering the tenants one ten-year term with two one- year options for a possible total of 12 years on their new lease term. With regards to maintenance and repair and the condition of Pier 45, the Port originally sought to take off the common area maintenance charges. In discussions with the tenants, staff found that there was an inequitable distribution of those costs. With regard to the deck, the deck charges will be distributed to each of the tenants who use that deck. The Port cannot give the tenants any relief with regard to compliance with City requirement laws. With regard to waiver indemnity provisions, Ms. Pak indicated that it's standard in commercial leases for landlords to get some protection in connection with the tenant's use of the premises. Keeping in mind that the tenant is essentially the part that is always there. The Port needs to have some form of indemnification. We are fiduciary as well. These are provisions that the Port cannot give and the City does not give as well in connection with the real estate leasing. Ms. Saez added that the resolution was written to allow the Executive Director to make changes that are not substantive. Post today, if the Executive Director so chooses, she can allow for certain changes to take place in the boilerplate lease but we've got most of them covered.

Commissioner Hardeman asked if staff prefers for the Commission to vote on this item today or hold it over. Ms. Saez asked the Commission to approve the boilerplate lease today. In response to Commissioner Lazarus' question if anything would be gained by delaying this vote, Ms. Saez replied that nothing will be gained.

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were in favor; Resolution No. 06-23 was adopted.

B. Request approval of the terms and conditions in the standard form of lease for The Agriculture Building, 401 Terry A. Francois Boulevard, and Building 11 at Pier 70. (Resolution No. 06-24)

Mr. Jeffrey Bauer, Senior Property Manager, presented the item and requested Commission's approval. Part of the adoption of the 1993 original standard form lease was a proviso that staff would seek Commission approval when any significant changes were made to the standard lease. In recent months, staff updated several of the leases and those mirror some of the changes on the Pier 45 leases including:

- The addition of current City requirements including First Source Hiring programs, Health Care Accountability Ordinance and other applicable City ordinances;
- Inclusion of a Port option to relocate tenant, at Port's cost, within facility to maximize space utilization;
- Fixed annual rent increases not to exceed 5% per annum replacing the Port's current practice of annually determining the percentage change in the Consumer Price Index (CPI);
- The right of the Port to recapture costs specific to each facility, such as common area charges;
- A requirement that the cash security deposit is equal to two time the minimum monthly rent for the final year of the lease;
- Delegation to the Executive Director or her designee on an individual basis, the ability for tenants to provide a Letter of Credit in lieu of cash to fulfill the security deposit requirement of a lease
- Holdover tenancies, with the Port's consent, shall result in a 150% increase of the previous base rent (not applicable if Port and tenant are unable to execute a new lease after expiration of the lease term solely due to Port delays);
- Holdover tenancies, without Port's consent, shall result in a 200% increase of the previous base rent. This is a new business practice for the Port intended to encourage tenants to renegotiate their leases in advance of their termination date and to maximize the Port's ability to lease space at current market rates in a timely fashion.

Port staff recommends that the Port Commission approve the updated standard form lease for the Agriculture Building, 401 Terry A. Francois Boulevard and Building 11, Pier 70 and authorize the Port's Executive Director or her designee to execute such leases

Commissioner Lazarus commented that the Port will make all the leases look as similar as possible but each of the situations is a little different and some might have specific provisions but they should be mirroring each other. Mr. Bauer replied that the body of the language and the boilerplate is generally the same; the difference would be the office spaces and the first two or three pages of the lease, would be the business points used, etc.

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were in favor; Resolution No. 06-24 was adopted.

5. MARITIME

A. Request approval to reject the proposal to berth the USS Iowa at the Port of San Francisco. (Resolution No. 06-25)

Peter Dailey, Deputy Director of Maritime, indicated that the Port has a proud maritime tradition. The Port has an extensive inventory of historic vessels. The Hyde Street Pier at Fisherman's Wharf has six historic vessels including the Balclutha, the USS Pampanito at Pier 45 which draws 100,000 visitors annually. Next to the USS Pampanito is the USS Jeremiah O'Brien, one of the last operational Liberty Ships and a reminder of the significant role that Merchant Marines played in World War II. The Port and the Navy have a relationship that dates back nearly 160 years when Captain John Montgomery of the USS Portsmouth in 1846 placed the first American Flag in San Francisco. For the past 25 years, the Port of San Francisco has been the host to Fleet Week, the annual celebration of our naval heritage. Additionally, the Port proudly hosts numerous US Navy vessels throughout the year for liberty calls. In 1997, the Port was host to the commissioning of the USS Hopper and in 2002 the commissioning of the USS McCampbell.

In 1996, the City of San Francisco partnered with a local non-profit group, USS Missouri Allied Forces Memorial to place the battleship USS Missouri at Piers 30-32 to become a museum and memorial. As envisioned, the USS Missouri would have served as a part of a naval museum and memorial. The US Navy ultimately selected Pearl Harbor in Hawaii.

Historic Ships Memorial at Pacific Square (HSMPS) is a 501(c)(3), California non-profit, public benefit corporation, whose principals are many of the individuals formerly involved in the USS Missouri effort. HSMPS was established to acquire custodianship of the USS Iowa for use as a museum and memorial in San Francisco. The USS Iowa is the namesake of the most powerful and fastest class of battleships ever launched by the United States. Along with the USS Missouri and the USS Wisconsin, they comprise the US Navy's "Iowa" class battleships. The USS Iowa and the men and women who served upon her saw combat in both World War II and the Korean War. The USS Iowa earned nine battle stars for World War II service and two for Korean service. The HSMPS has been working for a number of years trying to bring the Iowa to San Francisco. Last year, the Port Commission approved the Historic

Vessel Policy (HVP) that laid out the guidelines for entities interested in bringing historic vessels to the Port and guidelines as to meeting minimum requirements for the Port to consider establishment of another historic vessel on San Francisco's waterfront. It required entities interested in bringing historic vessels to:

1. Present a proposal demonstrating the financial resources necessary to successfully develop the attraction;
2. Fund a feasibility and demand study to be completed by an independent party detailing expected attendance, expenses and revenues; and
3. Provide a guaranteed annual minimum rent.

In June 2005, the Port received an unsolicited proposal from HSMPS to berth the USS Iowa at the Port. HSMPS identified four Port alternative berthing locations for the USS Iowa. Port staff from multiple divisions have met to review the Iowa proposal and the staff report shows the synopsis of the review. Members of staff are professionals who have looked at major developments at the waterfront including the San Francisco Giants Ballpark, the Ferry Building Renovation, Pier 1 Rehabilitation, and Pier 1 ½, 3 and 5 and a number of other projects. They have a great deal of experience in terms of looking at the financial data and determining the feasibility of projects. In July 2005, the Board of Supervisors voted against supporting the berthing of the USS Iowa in San Francisco by a vote of 8-3. The USS Iowa has been in berth in Suisun Bay. It has been in reserved status by the Navy. The FY 2006 Defense Authorization provides language that would eventually ask the US Navy to transfer the USS Iowa from "reserve" to "donation" status making it subject to the Navy's Ship Donation Program. This change of status would allow the US Navy to entertain bids from parties interested in establishing a floating museum but the specifics of the authorization limit the location for such a museum to be within California due to language put in by Senator Feinstein and Representative Pombo.

Merylin Wong, President of the Historic Ships Memorial at Pacific Square, indicated that they had offered to provide a feasibility study but the last time they did that, the Port rejected their offer. This business plan and proposal being referenced today was intended to be a working document. It wasn't absolute and it wasn't a negotiable piece. They are here without prior opportunity to make formal presentation. Their letter delivered yesterday along with today's testimony will frame those concerns of their business plan found by Port staff. She gave the Commission copies of the exhibits that she will be referring to. HSMPS is the nonprofit public benefit organization established in 1996 with the primary goal of acquiring USS Iowa for use as a museum. Their leadership includes highly educated with business background board of directors and officers. They have, collectively, 7 MBAs, CPAs, and advisers in money management, project financing, naval ship museum management, educators and engineers. Their chairman and CEO was charged with overseeing the modernization of all four of the Iowa class battleships in the 1980s. The dedicated members of their group is in the audience and their team is described in Exhibit A. This community based project with substantial based rent and percentage rent producing capability requiring no public funds is the last opportunity of its kind for the Port of San Francisco. Among their accomplishments, they submitted a formal application to acquire the ship in 1998 which passed preliminary review by the Navy.

They successfully obtained a $3 million appropriation that was used to fund the historic tow of the ship 5700 miles from Rhode Island to California. To date, they have raised in donations and pro-bono services valued at over half a million dollars. They were supported by two prior Mayoral and Port administrations. Their reputation is earned through active, local, regional and national outreach. Among their numerous endorsements include labor unions, merchants associations, government, neighborhood groups, and political groups. Most recently, they received the endorsement of the SF Police Association and the SF Firefighters Local 798. They enjoy the endorsement of the Roosevelt Institute, the veterans who served on the ship and Pier 39. They have also gathered thousands of signatures seeking the Commission's support for placing the ship at the Port of San Francisco. They publish a newsletter called the Big Stick, maintain a membership and a website with over 70,000 hits to date. In an opinion poll last year (AOL), 89% of the public felt that the ship should be berth in San Francisco. Early this year, on KQKE radio, 91% people favored the ship in San Francisco. Their fundraising plan has been reviewed by professional fundraiser who has deemed them competent to implement the plan. Prospects identified and met with include a world renown individual, Fortune 100 company, financial institutions, high net worth people and a lead syndicate bank who sent a senior officer to inspect the USS Iowa. Pledges should be available when there is a pier or piers that the Port can commit to making available as part of their application to the Navy. The ship meets the Historic Vessel Policy requirement that it has a historical significance to San Francisco bay.

Completed and commissioned in 1943 at a cost of $120,000 million, the USS Iowa was welcomed by San Francisco along with her three sister ships Missouri, New Jersey and Wisconsin. San Francisco served as homeport for USS Iowa. She visited in 1944-45 and again in 1948-51. Painted almost entirely gray to make her undetectable at sea, she will blend in beautifully with our City fog. At the Port of San Francisco as the only floating presidential site, this ship embodies the principles of freedom as Franklin Roosevelt has described in his famous speech made in 1943 to Congress, freedom of speech and expression which we are enjoying today. Seven months after submitting their plan in January 5, 2006, they met with Port staff who concluded that Pier 48 was the only unencumbered pier. The Port requested a number of things to review the scope of work used in preparing the feasibility study for the sister ship USS Wisconsin so that we could come to an understanding as to the study, scope for Pier 48. They arranged for the consultant ECON to issue a proposal outlining the scope for study of USS Iowa at Pier 48 for the Port's review marked Exhibit D. Another key item was to find cost economies by mooring the ship differently. Port staff was asked to help determine if a certain mooring alternative was available. On January 11, 2006, they learned from BCDC that Pier 48 would require an amendment to the Seaport Plan and they also researched the availability of piers outside the jurisdiction of the Port because of the long construction time associated it would require an interim pier. Compiled with a history of City and Port letters in Exhibit E is a January 20, 2006 letter from Director Moyer to Supervisor Ma stating that "Due to active cruise ship berthing at three of the locations: Pier 27, 30/32 and 35, an exorbitant capital improvement cost at Pier 48, the Port does not believe that these appropriate berths for the USS Iowa. We are in the process of analyzing alternate locations to determine if any are suitable. To date, we do not know what other piers might be suitable." With

that, they held back on preparing any feasibility study. They submitted a business plan to berth the USS Iowa at the Port of San Francisco. Based on a 1998 representation the Port made that Pier 35 being the best long-term pier to berth USS Iowa. In 1999, Mayor Brown named Pier 30/32 as a possible interim site. In March 2004, Mayor Newsom named Pier 27 as the only pier which could accommodate a ship the size of the USS Iowa. They provided a rendering of the ship at their pier. Their business plan includes capital budgets, cost estimates, mooring, financial analysis and they also provided names and phone numbers of management for two existing Iowa class battleship museums to verify data to Peter Dailey. Their own demand projections in this study were based on research through on-site interviews with other ship memorials, market analysis and the economic impact report of the Historic Naval Ships Association, a member organization to which they belong. He also gave Peter Dailey the confidential study to help him formulate the Port's Historic Vessel Policy. Their plan is also based in part on the Port's memorandum which recognize the viability of berthing an identical class ship, the sister ship Missouri. That effort of which certain members of this project were a part qualified for a credit facility of $1.4 million from the Mayor's Office of Emergency Services. With the running deadline and no clear direction, they wrote Peter Dailey on February 10, 2006 to follow up on their last meeting. While they built a rationale for not needing another study, she wanted the Commission to know that at no time did they refuse or reject to have another study performed. She reiterated that without a formal identification of a pier, they couldn't provide proof of funding. They couldn't market the transaction. They asked when they could meet with staff again and they didn't get a response. There was no comment on the sample scope study proposal or how they could achieve cost economies for Pier 48. They didn't meet for another 11 weeks until they initiated a meeting last week. A week during which the following happened:

They received a letter from Peter Dailey stating that the Port currently lets full-time berthing capacity for a ship the length and depth of the USS Iowa. It was critical of their business plan, his letter, she thought differed from his comments of Exhibit G prepared for but never read at the Port Commission last year which praised the professionalism of their business plan. They were told that a case was being built for a formal rejection of their proposal at today's hearing. Mr. Dailey indicated that Pier 48 is a location for which the Port expected a feasibility study even though Director Moyer said it was not appropriate. They offered to obtain the study if in fact the Port could say this pier was available. Peter Dailey could not make such a commitment.

She addressed the other concerns raised in the staff report. They were challenged as to the market demand and the demand analysis for the Iowa but they did base their performance on figures related to the USS Midway and the USS Intrepid in New York. The New York Intrepid is what the Navy uses in its base case comparison. The staff concern of Port percentage revenue did not take into account the projected annual base rent of $288,000. They felt that by structuring it that way even though there was not a 6-9% that other tenants paid during economic difficulties, surprises or downfall, the Port would at least get some regular cash flow regardless of how many people came to the ship. That would be a negotiable item if they want it up front or up load it; it is possible. They read that there is no data to confirm maintenance protocols. They did provide the Port with some references to call on namely the USS Missouri's president

and the New Jersey's leader in Camden. The staff analysis thought their price adjustments were inaccurate but when they sampled the industry admissions compared to ten years ago, they found that they were right on track. Prices of admissions had increased 60-70%. In order for them to continue, the Port needs to determine whether its Historic Vessel Policy has any place in the Port's vision since they cannot seem to locate a pier. The Port needs to honestly define and demonstrate its stated goal as to partnership with project sponsors such as HSMPS, represent that a long-term pier can be made available and define a scope of a new feasibility demand study which they would be prepared to discuss with the Port and allow HSMPS to make a formal presentation. In summary, they did offer to fund an independent feasibility study, they didn't refuse to generate a study. They provided Port staff introductions to other large ship museums to verify their numbers. They felt they spent considerable resources on engineering plans as piers and the Port development plans changed. They were confused by Port communications and they seem to have to initiate all the dialog with Port staff. They feel that the staff report is inaccurate and the criticism unfounded. They provided a written rebuttal to the Commission. She hopes that the Commission can consider it before they take action on this item.

Last week, Senator Feinstein issued a press release concerning the Iowa. That press release states… "The Navy signed the order to transfer the USS Iowa from reserve to donation status. The Navy will post an official notice within the next few weeks in the federal register announcing the donation status. All interested California communities will have 45 days to send a letter of intent stating their desire to obtain USS Iowa. After this 45 day period, those communities who have filed letters of intent with the Navy will have up to six months to complete the full application process." The formal competitive process has yet to begin. They consider this a working document but it seems as though the Port viewed it as an absolute proposal. Effective immediately, the business plan and the proposal dated June 2005 to the Port of San Francisco entitled Berthing USS Iowa is withdrawn by HSMPS from any further consideration by the Port. She thanked the Commission and staff's review. She hopes that this will not limit them to their ability to continue to talk to the Port. She wants the Commission to consider that they want to be creative and open. She has some ideas because of Pier 48 being so exorbitant in cost. The amount of money that they have to spend on Pier 48 can repair Pier 27 and Piers 30/32 twofold, may be they can work out an arrangement where that might be possible even before the Queen Mary comes.

Merylin Wong introduced Richard Benard, the current Chief Financial Officer for the USS Midway.

Deputy City Attorney Robert Bryan indicated that it would be more befitting for Mr. Benard to make his comments during the public comment period.

Monique Moyer explained that there is a presentation under the Brown Act that guides the agenda. There is a presentation on the USS Iowa by the HSMPS. The other gentleman is not an officer or a member of HSMPS so the City Attorney's guidance is in accordance with the Brown Act and his testimony should take place during the public comment period the same as everyone else in the room.

Peter Dailey reviewed some of the points that Merylin brought up. He gave the Commission a synopsis of the analysis that the Port has done. The Port received the HSMPS business plan and the proposal last summer. The proposal looked at four different locations on the waterfront: Pier 35, Pier 27, Pier 30/32 and Pier 48. Pier 48 is at this point in time is unencumbered by lease. Theoretically, it would be able to berth the vessel. Last year, the Port Commission approved the Historic Vessel Policy. It was clear and concise. It was a set of guidelines for the Iowa and others. Every year, the Port gets a number of people coming in to bring passenger liners, tugboats, ice breakers, submarines, etc. into the waterfront to become hotels, museums, etc. The HSMPS at the hearing where the Historic Vessel Policy (HVP) was ratified by the Port Commission publicly supported the edict of the HVP. Port staff are somewhat surprised that HSMPS are now somewhat confused because it's a clear policy. The HVP approved by the Port Commission in 2005 requires applicants interested in bringing an historic vessel to San Francisco to:

1. Present a proposal demonstrating the financial resources necessary to successfully develop the attraction.

   The proposal does not include any financial information about HSMPS. There are no apparent cash reserves nor any identified capital for the required initial capitalization costs. Their proposal anticipates that focused fundraising efforts will be sufficient to raise the enormous capital necessary to set up a site for the ship and assure on-going maintenance. However, no specific fundraising entity is identified and no track record is available for Port review and analysis.

2. Fund a feasibility and demand study to be completed by an independent party detailing expected attendance, expenses and revenues.

   The HSMPS proposal includes a letter report commissioned by the Port in 1995 from Economics Research Associates (ERA) regarding berthing the USS Missouri at Pier 30/32. This report is ten years old and ERA states that it represented "a very preliminary assessment of the ships potential performance." A letter from HSMPS to the Port dated February 10, 2006 states that an independent feasibility analysis is "not necessary." Port staff believes this preliminary dated report on the USS Missouri does not meet the requirements of the Port policy.

3. Provide a guaranteed annual minimum rent.

   The HSMPS proposal for Pier 48 does not provide the Port with a guaranteed minimum annual rent because 50% of total improvement costs can be credited against base rent. Therefore, the rent payable by HSMPS will vary depending on final tenant improvement costs.

In essence, the proponents have stated repeatedly that it would not require any City or any Port money. However, according to their proposal, the amount of Port's subsidy through rent credits would amount to millions of dollars. Port staff believes that it would be in excess of $12.5 million over a 30-year period. In summary, Port staff

believes that HSMPS proposal does not meet the requirements of the Port's Historic Vessel Policy and would require millions of dollars in Port and public subsidies.

The financial analysis provided in the HSMPS proposal to date is not adequate. The HSMPS business plan is based upon a ten-year old cursory analysis for a different ship and assumes berthing at a pier that is no longer available. The demand statistics and expense calculations provided in the HSPMS proposal are questionable. Port staff is fully aware that annual maintenance costs for a 60-year-old vessel are high and continuous. Berth infrastructure costs at the only available Port location (Pier 48) are extremely expensive – in excess of $28 million according to HSMPS. The ability of HSMPS to fund these obligations is critical to any engagement with the Port of San Francisco. While the Port acknowledges and appreciates the historical importance of the USS Iowa and the significant role that the US Navy plays in our City's history, Port staff and Commissioners have a fiduciary obligation to ensure that adequate resources are available from the proposer.

The HSMPS business plan shows no apparent capitalization and apparently relies solely upon fundraising from corporate and individual sources. HSMPS has no demonstrated fundraising experience upon which to judge their ability to finance the proposal. Therefore, the Port lacks confidence in their ability to be financially viable.

In a February 10, 2006 letter to the Port, HSMPS stated that "without the formal identification of the pier(s) for berthing the USS Iowa, evidence of firm funding is not available." However, in the Port's experience, not-for-profit organizations interested in developing attractions on the waterfront have been able to show significant contingent funding pledges prior to having site control. HSMPS's inability to show tangible funding/financing plans or commitments from potential donors casts significant doubt on the viability of their proposal.

This is a business deal and not a political deal. Staff objects to any inference that we are doing this for political motivations. It bothers him when those assertions are made to staff. The analysis on this proposal is done on a financial basis not on a political intrigue. He is saddened to say that the Port staff recommends that the Commission find that the proposal does not meet the requirements of the Historic Vessel Policy and therefore reject the proposal. It is a beautiful ship. The people who served on the ship are heroes to him. Unfortunately, the reality of the finances of this proposal does not make sense in terms for the finances for the Port of San Francisco.

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion.

Sergio Morariu, HSMPS, indicated that the reason they want to approach the Commission is to inform them of their need to complete and meet the Historic Vessel Policy, specifically the naming of the pier. He asked the Commission to read the last slide that Ms. Wong forgot to read to postpone making a decision. They are asking for 90 days to call their bluff, prove their ability to meet the Port's burner requirement. The Commission's intuition has to be that a project like this is probably going to be

successful. If New York can have the Intrepid and Pearl Harbor can have the Missouri and San Diego could have the Midway, there is no reason why Iowa would not be successful in San Francisco. He understands the Commission's need to satisfy its intellect as well as curiosity. Let's cool off for 90 days and allow this group to come back and formally present a good case. If they fail, they walk out of here knowing that they failed on their own accord. But if they meet the Port's burden, there is no reason why they couldn't move on. If they fail, the staff report is accurate. If they are able to prove their case, we should be able to work together. He asked the Commission not to make a decision but to table the item for 90 days.

Richard Benard, San Diego resident and native San Franciscan, indicated that he is the current Chief Financial Officer for the USS Midway. USS Midway is an aircraft carrier commissioned in 1945, seven days after the end of World War II. She served for 47 years, the longest serving aircraft carrier in the nation and was decommissioned in 1991. Their board of directors began the process of acquisition in 1992. The ship was delivered to San Diego in 2003. The 11 year process required approvals by at least 25 different government entities. Originally, most of the comments they received were negative. Fortunately, their founder and their board of directors refused to take no for an answer. After years of negotiations, the ship arrived in San Diego in January 2004 at the Navy Pier in downtown San Diego. They are located at a perfect location. They opened the ship with staff of 30 and a core group of volunteers of nearly 400 people. In less than two years, from June 7, 2004 to today, the ship had 1.5 million visitors. Over 10,000 people join their museum as members. The interesting thing is that demographics of their visitors 84% of the visitors are from out of San Diego, 55% have had no former military affiliations whatsoever, no family members, no service and they are still interested in coming everyday. All of their education programs are designed to be science space covering all kinds of topics from steam generation, propulsion, electricity, magnetism, astronomy, navigation and meteorology. All of these programs are linked to the State's science curriculum. Their lesson plans are incorporated into lesson plans of local teachers. 4th and 5th grade teachers are bringing their school groups to the Midway for classes. They expect to host 20,000 school children this year in their daytime program and about 5,000 school age children in their overnight program. They can sleep in the berth of the enlisted men in the Navy on board the Midway right now. The enthusiasm for science that these programs generate in young children is amazing. Their motto on the Midway is: Live the Adventure. Their museum serves to honor 225,000 crew members who served on the Midway for 47 years. They represent the epitome of service, duty, honor, courage, patriotism. The issues are always the same with the USS Iowa, and surprisingly it's not about money; it's about will and vision. The old saying is still true, if you have the will, there is a way. If the vision is clear and people have the will, great things can happen. The Iowa can be San Francisco's next great attraction.

Jim Maloney, Military Education Initiative Director, indicated that his organization organizes grass roots activism around repealing, "Don't Ask, Don't Tell." He is on the board of Alice B. Toklas LGBT Democratic Club, a club who has enthusiastically endorsed bringing USS Iowa to San Francisco. He rehashed the notes from the Executive Director regarding the Iowa. He went back to the period of the Missouri ten years ago when there was a move to bring the Missouri in San Francisco. As

envisioned the USS Missouri would have served as part of the Naval Museum and Memorial. The City of San Francisco, through the Mayor's Office of Community Development, offered to loan the group $1,435,000 from the federal community development block program and the Port would have provided $435,000 in funds for pier preparation. While the City and Port in 1996 jointly submitted an application to the US Navy to berth the ship in San Francisco, the US Navy ultimately selected Pearl Harbor in Hawaii. HSMPS, a California non-profit public benefit corporation, whose principals are many of the individuals formerly involved in the USS Missouri effort, HSMPS was established to acquire custodianship of the USS Iowa for use as a museum and memorial in San Francisco. Many of the same individuals who were working with the City and the Port of San Francisco in 1996 to bring the USS Missouri to San Francisco are still involved in this project. This is a very interesting point to bring about. He also looked at the Historic Vessel Policy and commented that a feasibility study is required as part of the HVP. However, in the meeting on January 5, 2006 he attended, the Port told them that three of the piers were encumbered therefore they needed to focus in Pier 48. However, in the Port' Director's letter dated February 10, 2006 to Supervisor Ma, she discussed that Pier 48 was not a viable option. In order to provide a feasibility study, they need to identify which pier they need to provide the feasibility study for. They hope to partner with the Port to address that question so they can move forward with the feasibility study. He was stunned by the Port's request to reject their proposal without a public presentation of their proposal. The project will provide economic revitalization to the port. It will provide jobs; it will promote tourism in San Francisco. It will provide educational experience to visitors. It will provide an international forum for peace. It will provide an emergency services platform. It won't cost the City a dime. Unlike the USS Missouri, the USS Iowa group is not asking the City or the Port to help provide funding. If there is any possibility of the economic feasibility and viability of this project, shouldn't we give it a chance to hear it out? Don't we owe it at least that to Senator Feinstein, Senator Boxer, Congresswoman Pelosi, Congressman Lantos, Congresswoman Lee and the rest of the congressional delegation of the Bay Area who fought to provide the $3 million allocation to bring the USS Iowa to Suisun Bay where it sits ready to be brought to San Francisco or to another City in California that wants to vie for the ship. Don't we owe it to them to provide them the opportunity to at least hear and see the feasibility and have an opportunity to apply for that ship?

Dave Rossi indicated that it pays him to hear some of the comments made by the City, Board of Supervisors as to their opposition to bring the Iowa to San Francisco. He is amazed at the lack of historical perspective of some of our City leaders and the good citizens of San Francisco have openly welcomed the Navy and the military in general in the past throughout the history of the City. One only needs to talk to anyone living in this City 65 years ago, the days following Pearl Harbor, to realize how much the City very much appreciate the military standing between them and the threat of invasion. The Iowa is not so much about military as it is about history. It is one of four ships of its kind. We will never see the likes of it again. As compelling as that reason is, it's still not enough to support the proposal. The fact is that the City of San Francisco along with every city in California is facing cold and hard economic realities. The only reason they support the Iowa proposal is a matter of cold hard economics; that is to say it doesn't make economic sense. The business plan presented

by HSMPS involves taking an idle, underused asset and putting it to use in what would be an asset to San Francisco in an economic and cultural level. In the ten years that HSMPS has been working to bring the Iowa to San Francisco, the economic feasibility of the proposal has never been brought up to question until last week. He welcomes any scrutiny the Port care to give to the economics of the proposal. Along with that responsibility comes that of the fiduciary responsibility to get the most of the Port's assets. To date, the lack of waterfront development at numerous locations in San Francisco amazes him. In his career, he traveled to many coastal cities on the East Coast specifically Boston, New York, Philadelphia and all the cities are embracing the waterfront as a valuable economic asset. Why is nothing been done with Pier 48 to date? He can only assume that there are no viable economic alternatives. Therefore, even if the Iowa has only $1 benefit to the City of San Francisco, it's better than continuing this asset in question to remain idle. If the HSMPS committee is delusional in its assessment of the Iowa project then it's a delusion shared by at least two other cities who very much want to give this historic ship a home. He asked the Port to give all due consideration to the proposal with special emphasis on the financials. If they haven't done so yet to the Port's satisfaction, let us work together ad address any concerns. Don't let this valuable historic treasure and its economic impact to San Francisco be lost due to lack of cooperation and foresight.

Bill Stephens, HSMPS, commented that with all the people in the room he is probably one of the few that has written more proposal for Iowa class battleships than can be imagined. He dates back to the Allied Forces Memorial and he brings special perspective to this event. He's been there, seen it, and he knows what this port went through and they know what they went through. There has been enormous confusion on piers as far as the Port's concerns, as far as their concern, as far as how they are going to address this issue. They've engineered every pier, backwards and forwards. This is the third Port administration. They diligently moved with the Port and spent enormous amounts of money and time as the Port requested first Piers 35, 27, 30/32 and now 48. Confusion on piers is something that they have moved with and spent money on and worked with the Port. There has been a lot of confusion about the feasibility study. First, they were focused on Pier 48 and then a correspondence between the Port and Supervisor Ma that indicated that Pier 48 shouldn't be considered and in Mr. Dailey's last letter, indicated that currently X piers are not available. Currently is underlined which implies that they would be available later. There is an enormous confusion on this issue of feasibility and piers. HSMPS to its credit is willing to do that and is willing to undertake that burden to conduct the feasibility study. A few weeks ago, Port staff bluntly said that the construction of the Exploratorium would basically yield the Port no revenue but mainly refurbish the pier. Revenue was no question; it was refurbishing the pier. Their proposal is a working document. They recognize that the Port needs to make money. Please understand that if they talk about rent credits, they are going to put money out there. This is a working document and they need to work with the Port to realize a better return for the Port. He's been here for almost two years. He's never had a formal ability to present to the Port except on the 3-minute session. He has been the least person. That is not fair to the ship, not fair to him and to any of them. He is giving the Port time again on a 3-minute segment because HSMPS never have the ability to make a formal presentation so the Port is fully educated. They never had that ability but they certainly do have the

right. They've raised well over $3 million. When he hears that they don't have track record; it's not right. They have a good track record in Congress, a great track record with the Navy and the community. They have a sizeable and wonderful track record. They appreciate the Port's cruise industry and they could move with that. He is a cruise ship person. The Iowa meshes in with the Port. They have flexibility. In conclusion, he believes that what was said earlier about waiting, having an extension, letting them run the feasibility study would put the Port under no obligation. It would give them time to make a wise and informed decision. It would give them time to inform the Port properly about this project.

Gene Gaeta, HSMPS, indicated that for the last 9 years, he has participated with the USS Iowa Commission in every St. Patrick's Day Parade, Columbus Day Parade, Veterans Day Parade, Taiwan-American Commemoration Parade and Fleet Week Celebrations. Not once in the last 9 years, has he ever heard any negative comments about bringing the USS Iowa to San Francisco. However, the one question that he gets from the crowds and masses is when it is coming. He is not a politician who is voted in office. It doesn't take a rocket scientist what a win-win situation it would be to have a real live battleship in San Francisco to provide stability to an already financially anemic waterfront. The City needs money and the Iowa will provide it.

Al Martino, USS Iowa, indicated that he served aboard the Iowa from 1951-54. He also served aboard the USS O'Brien in 1994 when it went to Normandy. He has two documents that he would put in the museum if the museum was ever in San Francisco aboard the USS Iowa. From his father's credit, he used to cut out articles in the paper about what was going on in Korean in 1951, 1952 and 1953. He wanted the Port to realize their experience aboard the USS Iowa. He knows and served with two of the gentlemen on board the USS Iowa, John McCarthy, the navigator of the ship and Paul Gomez, a fire control man. He read a paragraph on one of the old articles, "Along the Korean ground front, allied troops beat off a series of red attacks Tuesday night and early Wednesday (last paragraph of the article.) The first part of it states, "The Battleship Iowa waits a spectacular due off Northeast Korea Tuesday with communist shore batteries which landed some shells on the water close to the giant war ship Iowa. The Navy said today they counted 17 splashes but received no damage. The announcement added that the carrier pilots silenced the communist batteries. The ship to shore battle broke out as the 45,000 ton Iowa hurled 114 thundering 16 inch shells into the red buildings and rail centers upon the Hong Wang Sin Post stretch of North Korea East Coast. There was a five hour attack. The Iowa was accompanied by the destroyer Bredford in the action which was part of a five hour surface ship carrying plane described by the Navy as the worst pounding in months of enemy targets. The communiqué said red supply and transportation centers along the East Coast between Won Son and Kil Chu was subjected to a powerful coordinated assault." You don't hear very many casualties there but everybody on that ship had a buddy that was on the ground in Korea at that time fighting for us. He also read another article, "Ship shelling: 4 killed, 53 wounded on destroyer off Korea when a communist shore guns hit the USS Destroyer, a mine sweep off the coast of Korea. The scene was off the Port of Sun Joong where the Thompson was hit by ten enemy shells a year ago and killed three men. One of the communist shells fired and hit the other Thompson flying bridge at the same spot where an enemy shell hit last year. Iowa goes to aid. The blast

damaged the pilot house, navigating equipment and shattered fragments over the area. Six other shelves landing in the water near the ship. The wounded were transferred to the battleship Iowa which steamed to the Thompson. Ten men were in serious condition. The Thompson turned her five inch guns and the communist shore battery. Results were not announced. The enemy guns were located in Unang, a head land protection of the Sun Joong Harbor. The Thompson had moved into the area to join in a strike on Sun Joong. Actual damage to the ship was relatively minor. Quartermaster Signalman Charles Masuric of Montana said he was sort of worried when the Thompson approached waters off Sun Joong. He couldn't help remembering referring to last year's shelling, someone yelled "Splash ahead." When the first shell hit, there was a terrific explosion and he was kicked flat. Masuric was injured in the hands and shoulder but not seriously." They took it one year before and that year. That's why they want the Iowa in San Francisco because people like that fought for this country.

Liz Doyle was born in England in a town Chattum which the Jeremiah O'Brien visited on the D-Day anniversary. She has a feeling of tremendous debt of gratitude to that generation that served on that ship. She can't comprehend why she's asking the Commission to consider having this ship here. It's unbelievable to her. The Port of San Francisco is hardly a port at all. There is no ship building and no Navy. It's kind of a boutique port. She's horrified that we should turn our backs on that generation and what they did for us. She implores the Port Commission not to do it. We can make this thing work.

Veronika Cauley, Veterans Affairs Commission, and veteran of the Navy, indicated that it would be a travesty for the City and the Port to not bring the Iowa here. Because LGBT veterans served in the military it would give our community the strength and backbone that it needs as part of this museum and memorial towards all veterans that served the country. She asked the Commission to postpone its decision and let them have 90 days to consider and bring forth any further documentation the Port needs in order to give them the full consideration.

Ray Guiducci, USS Iowa, requested that the Commission take no action today and give the group 90 days to come back with whatever the Commission request. He would rather that the Commission's decision be based on the merits rather than the procedure which seems to be what's going on now. During that time, a robust bid might come in from the city of Vallejo which would make any action by this Commission moot if it's accepted by the USS Iowa committee. He does not see any harm to the Port to continue this for 90 days. The proposal might have been withdrawn by Merylin Wong. He does not even know if there's anything for the Commission to act on today. If there is a substantial controversy as to the facts, he thinks that a 90 day continuance is warranted and should be granted by this Commission.

Paul Gomez, USS Iowa, indicated that he has a positive attitude that the Port will understand the reasons why the USS Iowa should be home ported in San Francisco. He commended Al Martino for always speaking about the veterans aboard the Iowa and about those who sit in the trenches and are dodging bullets. Mr. Martino is emotional and he is emotional as are all the veterans who served this country. The Commission has heard these arguments probably more times than they care.

Somehow, everything they tried to share with the Port is either treated in a negative manner or in a naïve state of mind that somehow the Iowa will disturb the beauty of San Francisco's waterfront. He does not understand it especially because of the magnificent projection that the battleship Iowa has and shows wherever she has served or wherever she has tied into a port. He is not being sarcastic but dead serious after reading Mr. Dailey's comments about HSMPS, about their inability to develop a world class memorial. The time to act and support the effort is now if for no other reason because it's the right thing to do at the right time, because of the Secretary of the Navy's announcement that the Iowa will soon be placed in donation status. It appears that most of San Francisco politicians view their proposal as a fantasy of some kind. He assured the Commission that it is not. This is a major multi-million undertaking. There is no way in the world that anyone of them who has served in this organization for over ten years would put their reputation on the line by giving the Commission information that they know is not correct, information that they cannot support and bringing those kinds of costs and projections which match today's economy, today's inflation rates. There is no room in this meeting to place blame. He is just stating the facts to the Commission. He is here who should view the issue before the Commission in a manner demonstrating a high level of professionalism and respect for the City of San Francisco, the Navy, the HSMPS and the Veterans Association of the USS Iowa, the organization that he belongs to, the organization that has nearly 3000 veterans who served aboard that ship. He is a director and he answers to them. He wants to go back and tell them that this meeting was nothing but professional and left him with a heart of positive feelings for bringing the Iowa to San Francisco. Their veterans will appreciate that news. He wants the Commission to consider very importantly the request that was made to postpone for 90 days. They have the talent to give the Port the kind of information the Commission needs to approve the USS Iowa as a testimony to all the veterans who fought in the wars since 1941.

Howard Pierson, USS Iowa, was 17 years old 61 years ago on the Iowa. He reflects on the wonder of this moment. They are begging, pleading to bring this grand ship to the City by the bay to enhance its already magnificent reputation. He can't punch the numbers but they will have been. He can't tell other than the appeal that such a vessel has to the American person or to anyone to see a ship and go aboard her would make the day for a person coming to San Francisco. They already come in numbers now, the most visited city in the nation. This bay is the jewel of the pacific, coast line of the entire nation. She needs to be continued and the support of the Commission or the Board of Supervisors and the people in general. It's a business deal and also a traditional deal. How could you disregard the fact that thousands of ships left Kaiser, Hunter's Point, and Treasure Island? They sail under the Golden Gate Bridge to go to the Pacific where hundreds and thousands of teenagers served, tens of thousands of them gave their lives. They gave their tomorrow for our today. You can go to Valley Forge, to the Alamo, Mt. Rushmore, Gettysburg, Pearl Harbor. Pick up a place that is American. So will San Francisco, and so will the Iowa enhance her already traditional American ways. The people who were selfishly rallying and demonstrating against it, they have a right to do that. They might not understand that tradition and freedom comes from the former generation. One of the qualities that he tried to follow that the greatest generation has is humility. Some of it is very private. They need to remind the people of this City that without the greatest generation, without the people who gave

their lives for us, we wouldn't have a seaport or a grand place like the Golden Gate City. The shipmates he knew would say, "You must do this, location, location, location." Please give them more time and when it comes to vote, get her here where she belongs.

Robert McCullough, graduate of UC Berkeley Architecture and a candidate for Mayor of San Francisco indicated that he comes from five generations of military history in his family. We need to think outside the box on this issue. This is the President's flagship. What would be the great words live in infamy, the Arsenal of Democracy. When you look at this ship, it exemplifies and embodies what an arsenal of democracy is. He compares this ship to none other the pleading document of the Declaration of Independence. This is what we need to teach the children history. Our schools in San Francisco are failing. We need to look outside the box and be creative about it.

Barry Eisenberg submitted a letter for the Commission's information. He indicated that judging by the caps in the room and the testimony from the public and the applause in this room, he is the minority on this subject. This is a very emotional topic. He thinks that after all this time and the decisive vote by the Board of Supervisors, the detailed report with objections and information from Port staff, it's time to lay this matter to rest and not let it drag on and on. He trusts that the staff is professional regarding the financial details and the Commission should follow their recommendation. Some people who have spoken for the ship have mentioned that other times, other places, other cities, he thinks that we need to talk about San Francisco. San Francisco is not San Diego, not Pearl Harbor, not New York. San Francisco is the birth place of the United Nations. San Francisco is the heart of the peace movement in America. We are known for that around the world. A ship, ten story gun on our waterfront is contrary to all of that image. This talk about some of the veterans being enchanted by the idea of bringing children to visit the ship and to sleep on the ship and to be impressed by the ship, frankly, it curdles his stomach. He does not think that children should be exposed to subliminal propaganda of that sort. This is a war ship we're talking about. You can call it a peace museum, you can call it a monument to minority service in the military. You can call it anything you want. It's the big stick. It's the big gun. It's the symbol of the past. We need to look ahead. The proponents had ten years to get their plan together and they still don't have it together to the satisfaction of the professional staff of the Port Commission. He asked the Commission to lay this matter to rest once and for all and reject the Iowa. Supervisor Ma is about to reintroduce her resolution, now amended, to invite the retired battleship Iowa to San Francisco. She will be adding a "guarantee" in bond that the ship will not cost the City anything should it fail as a tourist attraction, and including various sweeteners in terms of pier upgrades, dredging and a lucrative rent payment to the Port. The proposal (in his eyes is ludicrous) to have the ship masquerade as some kind of peace museum and to include an exhibit on minority service in the military, especially the gay minority, will be formalized in the new proposal. This has all passed through the legislative analyst's office by now. He was informed by Supervisor Fiona Ma that the Port Commission will be calendaring the Iowa question for the agenda in mid-March. He will get a head's up on that meeting.

Steve Boeckels, West Point graduate 1997 and recruiter for West Point Admissions Department, indicated that he also served as an officer in the US Army under Cavalry and he was discharged under Don't Ask Don't Tell. When he saw the vote by the Board of Supervisors against the berthing of the Iowa in San Francisco he joined the coalition to support the ship because he came up with the idea to address one of the objections of it. The Don't Ask, Don' Tell Policy is currently in place in the military for gays and lesbians to serve openly. He came up with the idea to augment the history of the ship and to talk about the most important part of the ship which is the veterans. All veterans served in the military and all veterans should be served honorably. His idea was to include in the ship to talk about the history of race and minorities in the military including African Americans, women, Japanese Americans and all other minorities and how they struggled through the military and how they became leaders and heroes in the military. This idea would also talk about the Don't Ask, Don't Tell Policy and talk about the history of gay and lesbian service members and their history and their contributions to the military. Under this proposal, there is no other city in California that would have the insight and the leadership that San Francisco would have to have the USS Iowa here honoring all veterans. Veterans who had served on the ship as well as telling the stories of those veterans that could not serve openly. He asked the Commission to delay the vote and consider all the proposals and documentations and allow HSMPS the time to provide the Port with all the pertinent information and will show them that the history of the ship, the culture of the ship and to honor the veterans will be a tribute and will be a treasure to the Port of San Francisco.

Ernestine Weiss supports the Iowa. Her two husbands proudly served the Navy until they were discharged. She cannot understand how somebody can say that we shouldn't have a ship here. All the veterans have put so much time and danger into serving the United States America so that a guy like that can be free and get up here and talk like that. It's a shame that somebody would do that. We're going to go ahead. We already have the military ship here. We already have the USS Jeremiah. Why not have the Iowa? This port is supposed to be a marine port. Let's bring the ship here. Never mind the offices, the retail, etc. It's primarily a port which requires marine input. She worked very hard to bring the Giants here. She lobbied for the Giants successfully, the Ferry Building, and Pier 1-½, 3 and 5 projects. Let's have marine activity here. The kids have to know history. They have to know that our freedom was in danger at those times. That's the reason why they were brought up here. Let's go ahead give them 90 days; it's only a fair thing to do. How can you turn them down without hearing the financial proposal? Please consider their efforts. They've worked very hard. Give them an opportunity. Don't shut them out today.

Bud Wilson, Chair of the Veterans Affairs Commission, urged the Commission to continue this item for 90 days. Since July 2005, they've taken the opportunity to meet with members of the Board who have expressed opposition and concerns to the Iowa. They have fully and adequately or satisfactorily addressed their concerns. If they had a pier assignment today, the majority of the board would support the Iowa relocation to San Francisco. Remember the Navy is not going to release the ship to any custodian or location until they verify the financial resources of the non-profit organization that is going to operate the ship. This isn't just a gamble. It doesn't cost the City a dime. It

will make money for the City and it will bring a great memorial to San Francisco to honor every man and woman who served in the Armed Services without regard to race, color, creed or sexual orientation. He urged the Commission to continue the item for 90 days.

Commissioner Hardeman asked what would be the burden on staff if the 90 day postponement is granted. Mr. Dailey replied that we have spent numerous hours on this project through many years of review. We put together a team on the current review of the project having calculated in the thousands of dollars of staff time. If the Commission would like to delay approval of this matter, Port is amenable to it. Part of staff's frustration is we need something to analyze and review. To date, we have not seen any imperical evidence that this proposal, as well meaning as it is, has any viability. At this point, he's not sure what we can review. We've reviewed everything. There has to be a feasibility study done independently. We've done DMV runs, we've checked with the Attorney General's office, there seems to be no resources behind the effort. Staff would be glad to review anything if that is the Commission's direction. At this point in time, we don't know what that is.

Commissioner Hardeman indicated that for practical purposes, we should reject this proposal and follow staff's recommendations. On the reality side, he received over all these years, may be six objections to berthing the Iowa in San Francisco. He probably received 600 in testimony, letters, phone calls, from the public. As Commissioner Gaeta said just walking casually and talking to people over the years, nobody seems to object to this except the 8 members of the Board of Supervisors. What they have is a sensitivity issue where the Commissioners are duty bound to uphold the business and practical side; there is also a human side that we have people coming here, speaking very emotionally and to shut them down when all they're asking for is 90 days he finds it hard to do. Even though he knows that he should be voting with staff, he has a difficult time voting with staff at this time. He votes with staff on a very high percentage but this is a very difficult situation. As a person who's never served in the military, he's very grateful. His first child was born which exempted him from going into the service. He has always felt a bit more gratitude than most people because a lot of his friends went to Vietnam. He didn't have to go through the jungle or sit out on the ship and get bombarded. He's always tried to give as much back as he could to his country because he's never served. It puts them in a hard and difficult position to listen to all the speakers and not be sympathetic.

Mr. Dailey indicated that staff is sympathetic. It's an honorable endeavor but we were tasked with imperical review of the data and be impartial. That's what our staff report represents. Staff will do what the Commission would like to do.

Commissioner Bierman remembered the day of Pearl Harbor and to this day, she can see the faces of the boys who had, just that day, realized that they were probably in for it of being drafted to serve the country. She will never forget their faces. She hopes that we give them the length of time to look at this whole issue. Every Memorial Day, there is a service at the Presidio where you look over and see a sea of crosses and of tombstones of people who have died serving this country and it just seems that giving more time to this effort to see if it can work out some way, there would be an

educational value to kids and to families, to men and women who come to this city to see this ship in San Francisco. You can't really learn just from one or two things. The ship being here will provide that message of how many people died. War was terrible. She remembered going to memorial after memorial. She was in high school and a couple of years in college, the war went on. A lot of them worked in defense plans because they needed the money and that's what they chose to do to help the war effort. It was no joke. It won't do justice but it will help to have the ship like this to teach young people to teach and to honor the people who are on that ship and who served. She would second the motion to give them 90 days.

Executive Director Moyer indicated that Ms. Wong formally rescinded her proposal. She was not sure that it is consistent with the rest of the testimony. She echoed Mr. Dailey's response to Commissioner Hardeman that staff would be happy to work on this again. She is not a policy maker, she's charged with the operations of this organization and in the two years she's been here, she watched our resources declined by over 10% of our staff. Mr. Rossi asked a valid question, why there has been no planning for Pier 48. The very valid answer is there have been no Port resources. If something is going to be different 90 days from now, we would welcome that. But six months ago, we put forward a policy as Mr. Dailey said which was endorsed by many of the people in this room that clearly laid out the tools that the Port needed to assign our resources. It's in the Commission's hands but to the extent that the Commission would like to see it delayed, she urged the Commission to be clear as what their expectation would be 90 days from now.

Commissioner Hsu indicated that he was inclined to be in favor of the one time 90-day extension provided that Ms. Wong provides the Commission solid financial evidence that this is just not a dream. There's money behind this as well. He'd love to see this dream come true and everybody else in the room. As Ms. Moyer had pointed out, we only have limited resources and we have the duty to keep the Port's finances afloat. As much as we would like to see this happen, we cannot donate any resources because we simply don't have any to donate to any cause.

Commissioner Hardeman moved to amend the item to state that we reject this proposal for 90 days provided that the USS Iowa proponents will provide the Port an economic feasibility study and to address other items as mentioned in the staff report. Commissioner Hsu added that not only economic feasibility study but some financial proof and something better than just a will.

Legal Counsel Robert Bryan added that provided that the proponents of the USS Iowa project provide the staff and the Commission with financial evidence that the project is viable to the satisfaction of the Port.

Commissioner Hsu added that we love to see them here but coming here every time and making public comment is not going to change anything because the Commission is are already with you.

Commissioner Bierman seconded the motion.

Commissioner Lazarus added that she expects to see the same solid financial information. She thinks that the so-called shortcomings have been well laid out in the staff report. That should be the roadmap in what needs to be provided. There should at least one opportunity to clarify that with staff. She expects that the proponents would be doing all the work to provide what has been asked for. She does not think that we are going to settle in 90 days for anonymous donors and anonymous sources and banks that cannot be identified and that kind of thing. That is what we have today and that's not what we are going to accept in 90 days. That has been made clear by the other Commissioners as to what it is that we need to see.

Merylin Wong indicated that insofar as financial resources, that is a direct function of where they are going. There is a six-month long process that will follow the 45 day period after which a letter of intent is submitted. Although they know that the 225 days total is going to commence at any moment, it's a moving deadline. She suggested that to have the Port remain open to any proposal that may come forward during the competitive process stage.

Commissioner Lazarus asked how that would drive the motion that is currently before the Commission.

Ms. Wong indicated that their proposal has been withdrawn. In other words, they will start fresh and will work with staff to see if there is any solution. It could be that the Commission's solution is that there is no berth available for the USS Iowa or they could be creative in applying what could be an astronomical cost as Director Moyer suggested towards a plan that would allow them to repair two piers: Pier 27 and Pier 30/32 if that could work into the Port's plan. The ship is movable in the event that a cruise ship does come to call.

Commissioner Lazarus needs help because we now have a motion that would seem to be somewhat moot if we're postponing a decision on a proposal that has been withdrawn by the proponents. She does not know that we accomplish anything by delaying this particular vote 90 days if in fact this proposal has been taken off the table by the proponents.

Ms. Moyer indicated that is exactly the conclusion. In Ms. Wong's proposal, what she heard was an unlimited amount of time to utilize staff resources which is not consistent with the Commission's direction. She was very clear that the proposal is no longer logged with the Port.

Commissioner Lazarus indicated that it is her understanding that would not prejudice the ability to submit another proposal at another time with the understanding of what this Commission is looking for that it didn't see today.

Commissioner Hsu indicated that within 90 days or in the near future, the staff expects a new proposal that would identify a possible site and all the financial information that is requested.

Ms. Moyer asked that the remaining policy question before the Commission today is how much of the staff time would they want to dedicate to this endeavor.

Commissioner Hardeman reiterated that they asked for 90 days. Ms. Moyer replied that she can't recall if that was in Mr. Stephens' testimony but she didn't recall hearing that from Ms. Wong.

Commissioner Hardeman indicated that he's heard and wrote down 90 days many times. He is trying to follow their request and if they want to withdraw the 90 days that would put staff in a position of where we have been in a long time which is many years of nothing happening.

Ms. Moyer indicated that there is a difference between the testimony of the public today and the request by HSMPS. We can ask them where they are in the 90-day idea.

Commissioner Hsu indicated that he thought that the 90 day was in the presentation. The last page of it says 90-day extension. Ms. Moyer replied that in the last sentence of Ms. Wong's presentation she withdrew the request and she didn't read the last page of the presentation.

Commissioner Lazarus asked if the Commission should take a vote on the motion to postpone consideration of this item for 90 days to see where we are and try again.

Commissioner Hardeman indicated that would probably be their best alternative unless they say otherwise.

Commissioner Hsu asked if Ms. Wong is agreeable to a one-time 90 day extension and no extension after that. Ms. Wong replied that they would have to rely on Port staff to identify a pier or a combination of piers in order to move forward. There will be no feasibility study; there will be no financial analysis unless a pier or a combination of piers can be identified. We can see it open throughout the competitive process. If it is learned that there are no piers available, the time will simply pass and they would never be able to submit an application on behalf of the Port or in partnership of the Port.

Commissioner Hsu indicated that according to Item 5a, the Commission was ready to accept staff's suggestion to reject HSMPS's proposal and it would be the end of it. There is an amended proposal of giving HSMPS a one-time 90 day extension. He asked if they are willing to accept it now. Ms. Wong indicated that if that was the extension to produce the necessary financial information, she already said that would

be the direct function of the ability to identify a location, whether they are going to run a feasibility study on Pier 48, 30/32, 35, 27.

Commissioner Hsu indicated that 27, 35 and 30/32 are not available according to the report. Ms. Wong asked if Pier 48 is the only pier available. Ms. Moyer indicated that they named four piers in their proposal. Of the four piers that they named, that was the only pier that is available. Theoretically, every pier south of Pier 48 could be available. It's hard to imagine there's a pier available in the northern waterfront.

Commissioner Hsu asked if they are willing to accept the 90-days or are we wasting time. We heard from everybody who testified that most people want the 90-day extension. Ms. Wong replied that as long as it's with the understanding that their ability to perform will be dependent upon a formal identification of Pier 48 as the only berth available.

Commissioner Hsu indicated that we're not limiting it to Pier 48. Is she asking the Port to put checkers or does she want a free hand? Ms. Wong replied that would be fine but their ability to perform will be a direct function of their ability to come to an agreement as to which pier they would be running the study on.

Commissioner Hsu indicated that we don't have to necessarily have to come to agreement with the 90 days. They might have to do some due diligence and come up with a proposal or suggestion of a possible number of piers but what we are looking for is their demonstrated ability to have the financial resources to make this project happen. Otherwise, the Port can give them ten piers and it doesn't matter. Ms. Wong indicated that it's like going to the mortgage market, they have the house but they don't know where it's going to go. Commissioner Hsu indicated that nobody said this is easy.

Merylin Wong indicated that she wished that this agenda item never surfaced the way it did.

Commissioner Lazarus indicated that she never understood why the feasibility analysis is necessarily needed to identify a particular pier. If it can make the assumption that there would be pier in a particular area of San Francisco's waterfront, she does not understand why that wouldn't be sufficient to do the type of analysis that the Port asked for. Ms. Wong replied that analysis is differentiated from sources of funds. Commissioner Lazarus replied that the Port has not seen all the information mentioned in the staff report. Ms. Wong replied that they will work in best efforts to identify a location for which a feasibility study will be prepared with the understanding that location will be available for the ship.

Commissioner Hardeman asked if Ms. Wong is in favor of the motion. Ms. Wong replied affirmatively.

ACTION: Commissioner Hardeman amended the motion to postpone action for 90 days. Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

6. NEW BUSINESS / AGENDA SETTING

Executive Director Moyer indicated that there are few things on the agenda setting calendar the she'd like to draw the Commission's attention to. First and foremost, there is an item on the agenda for an informational hearing on Alcatraz. As you recall at our last meeting in public comment, the Inland Boatmen Union and the Masters, Mates and Pilots and the Labor Council all made a request that we hold an informational item on Alcatraz. We do not expect to be privy to any of the documentation from the National Park Service solicitation until May 9, 2006 at the earliest. However, we tried to continue to try to work on some of these issues. Next month, staff will present what it knows about this issue. She does not believe it would be sufficient from the point of view of the requestors because we still do not have the information that we would need to give the Commission an informed analysis of what is happening but we are certainly willing to give an update at the April 11, 2006 meeting. Likewise, we've had a request form a potential developer who is proposing housing development at 8 Washington. A portion of his proposed project would include Port property. He would like to make a presentation to the Commission since he is making similar presentations in the community. It would be appropriate for the Commission to know what he is envisioning even though it is not a Port driven project. Staff is going to remove from the calendar the request for approval of an amendment of the lease with Bay & Delta Maritime at Pier 15. Our issues with Bay & Delta have been resolved without requiring a lease amendment. The MOU with the Entertainment Commission will be delayed until May. The request for approval to issue an RFP for certain parking lots will be delayed until April 25, 2006. The informational presentation regarding broker fees is delayed indefinitely until we can determine whether the Port has the authority under the City's Administrative Code to pay brokerage fees. The discussion with State Lands Commission regarding the Public Trust was originally supposed to be on the agenda for today. Because of their request and the request of several of our constituents, the Port is no longer going to pursue legislation actively in this legislative session but rather to work cooperatively with the State Lands Commission and our constituencies to see what we can move forward. Staff would like to brief the Commission on our efforts at the April 25 meeting. The Port's ten year capital plan is expected to come back to the Commission on April 25 for adoption. We've heard from a number of our tenants. We have made presentations at the Board of Supervisors as well as to our ten community advisory committees. We hope to have incorporated all comments and all ideas in time for the April 25, 2006 approval date.

Sue Hestor, Attorney for Friends of Golden Gateway, indicated that she has a pending public records act request and staff responded before this meeting that they may not get the documents to her for a while. She wanted it clear what's going to happen on the April 11th and what's the staff's intention is. She has dealt with exclusive negotiation rights and they become a problem down the line if their neighbors aren't familiar with the documents that are available with enough time to have meaningful input. If the only intention is to have an informational presentation and the staff is not immediately proposing to go the next

meeting into exclusive negotiating rights, she won't be upset if the item is heard on April 11th but she wants staff to say what track this item is on. Is it informational presentation on the 11th and immediately thereafter slating Exclusive Rights Negotiation? If you ask that question and if the ERN is not going to happen that fast, she has no problem with it going forward on April 11th. She does not want to be the subject of the train where she is juggling request to have information provided and it becomes complicated trying to prepare. This is an extremely sensitive site. It has Redevelopment jurisdiction, Planning jurisdiction and Port jurisdiction. It has been through a very contentious hearing at the Planning Commission and at the Board of Supervisors. She's trying to be prepared as well as her clients if they smoke Port staff out on how soon they are planning on moving this.

Ms. Moyer indicated that this not a calendared item and it was unfair to imply that the Port is being duplicitous in any way but she would be happy to talk to Ms. Hestor afterwards. Commissioner Lazarus added that for the record she does not believe in the process of smoking the staff out; there are other ways to handle this.

Legal Counsel Robert Bryan explained that the Port does not have to provide the response that has been requested here. The Port has the right and the ability to perform its business in the way that it thinks is best and things will be scheduled and agenda in accordance with the law when they are ready to be scheduled. This would be a courtesy of that.

7. PUBLIC COMMENT

Ernestine Weiss asked a question about décor on the Port. She thought a long time ago when we were planning the art and color on the Port that the public would have input. She walked down to Pier 1 the other day and saw all black benches, tables and chairs. Since when did we pick a color? She didn't hear anything about picking colors and it's already there. She'd like to know what's going on. She does not like to see black on every pier to match that.

Commissioner Lazarus indicated that this is not an agenda item and the Commission cannot comment on the matter. Ms. Moyer indicated that she will talk to Ms. Weiss about her concern.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

At 5:50 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS (Discussion and Action Item)

a. Discuss existing litigation matter pursuant to Sections (a) and (d) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d):

- Claim of CSUA dba Gray Line, Claim No. 06-00302, filed August 1, 2005. (Discussion and Action Item)

- Discussion and approval of settlement of government tort claim seeking economic damages for temporary loss of permitted premises. Proposed settlement of claim upon terms which include Port's payment of $6,714.67, representing 11 days of rent paid during the loss period, in exchange for claimant's full and final release of claims. A copy of the proposed settlement agreement is available for inspection from the Executive Secretary for the Port. (San Francisco Administrative Code Section 67.12(b)(3).)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Pier 47
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*W.F. Alber Seafood: Mel Wycliffe

b. Property: Seawall Lot 324, 323 and 321
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Various Respondents
THIS ITEM WAS TAKEN OFF THE CALENDAR

c. Property: Pier 40
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Java House: Phillip Papadopoulos

9. RECONVENE IN OPEN SESSION

At 6:15 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to approve the proposed Settlement Agreement in the litigation entitled Claim of CSUA dba Gray Line upon the material terms set forth in the agenda for this meeting and upon such further terms approved by

the City Attorney's office. Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to not disclose any information discussed in executive session; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

10. COMMUNICATIONS

11. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 6:16 p.m.

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Sue Bierman, Commissioner
Michael Hardeman, Commissioner
Wilfred Hsu, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
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AGENDA
REGULAR MEETING
3:00 P.M. TUESDAY, APRIL 11, 2006

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** - March 28, 2006 Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
   - Salmon Season
   - Alcatraz Ferry Service Update

4. **CONSENT**

   A. Request authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project, to Granite Excavation & Demolition, Inc. (Resolution 06-28)

   B. Request authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2675, Pier 52/54 Parking Lot. (Resolution No. 06-29)

5. ENGINEERING

A. Request authorization for Contract Modification to Extend Substantial Completion Date for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements Project. (Resolution No. 06-26)

B. Request to award Master Contracts with two firms: Winzler and Kelley/Tom Elliot Fisch-Joint Venture and Creegan + D'Angelo for As-Needed Architectural and Engineering Professional Services. (Resolution No. 06-27)

6. PLANNING & DEVELOPMENT

A. Informational Presentation on Proposal by Pacific Waterfront Partners, LLC to develop Seawall Lot 351 at Washington Street and The Embarcadero.

7. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

  - Request approval for the Port to enter into a Memorandum of Understanding with the Department of Parking and Traffic to allow the installation of bicycle lanes along Illinois Street (April 25, 2006)
  - Request authorization to advertise the Pier 33 Roof Project (April 25, 2006)
  - Request approval of lease with Java House at Pier 40 (April 25, 2006)
  - Informational presentation regarding the proposed event fees at the Port of San Francisco (April 25, 2006)
  - Request approval of lease amendment with Pacific Marine Dining Yachts at Pier 9 (April 25, 2006)
  - Request approval of Pier 39 Sublease Agreement to allow emergency egress from the north apron of Pier 35 (April 25, 2006)
  - Request approval of second lease amendment for American Storage at Seawall Lot 344 on Amador Street (April 25, 2006)
  - Request approval to issue a Request for Proposals for parking lots on Seawalls 324, 323, & 321, Davis St. & Broadway (April 25, 2006)
  - Informational Presentation regarding the Port and San Francisco Public Utilities Commission Clean Energy/Clean Air Plan (April 25, 2006)
  - Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (April 25, 2006)
  - Request approval of Jefferson Street Sidewalk and Airspace Encroachment Guidelines and Permit Fees (April 25, 2006)
  - Request approval of the Port's Ten-Year Capital Plan (April 25, 2006)
  - Informational presentation regarding the License Standard Operating Procedures at the Port of San Francisco (May 9, 2006)

- Request approval of Memorandum of Understanding with the Entertainment Commission regarding entertainment permits on Port property (May 23, 2006)
- Status Report on the Port's Annual Operating Budget for Fiscal Year 2006-07 (June 13, 2006)
- Informational presentation regarding Broker Fees at the Port of San Francisco (Date to be Determined)
- Request approval of a Memorandum of Understanding with the San Francisco Public Utilities Commission for installation of combustion turbine power facility near the end of 25th Street (also referred to as "Western Pacific Property") (Date to be determined)
- Discussions with State Lands Commission regarding the Public Trust (Date to be Determined)

8. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

9. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Pier 35/39
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Pier 35: Joe Smith

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding the Pier 39 Sublease Agreement to allow emergency egress from the north apron of Pier 35.

b. Property: Seawall Lot 321 (Broadway at The Embarcadero)
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Central Parking: Kendra Petty

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both

An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Seawall Lot 321.

10. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

11. COMMUNICATIONS

Communications to the Port Commission received from March 23, 2006 to April 6, 2006:

- From Jonathan Alba, regarding Pier 45 Fish Processors' Leases
- From Supervisor Peskin to Will Travis, regarding Alcatraz Ferry Service
- From Port staff to Terry MacRae regarding Alcatraz Ferry Service
- From Ron Todd, regarding Historic Naval Ships
- From Barry Eisenberg, regarding the USS Iowa
- From Wes Starratt, regarding berthing the USS Iowa in Treasure Island
- From Commander Ingrid Sarembe, regarding the USS Iowa
- From Marina Secchitano, regarding Hornblower's Recruitment for Alcatraz Cruises
- From Bill Stephens, Historic Ships Memorial at Pacific Square, regarding the USS Iowa
- From Kim Koppien, regarding the USS Iowa
- From Port staff to Merylin Wong, regarding the USS Iowa
- From Will Travis to Supervisor Peskin regarding Alcatraz Ferry Service
- From Troy Barber, regarding the USS Iowa

12. ADJOURNMENT

APRIL/MAY/JUNE 2006
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
Apr. 25	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
May 9	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
May 23	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
June 13	**2:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine/

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

April 6 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Susan Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Request Authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project, to Granite Excavation & Demolition, Inc.

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO EXECUTE A CONTRACT MODIFICATION TO EXTEND FINAL COMPLETION DATE FOR CONSTRUCTION CONTRACT NO. 2694R PIER 94 WETLANDS ENHANCEMENT PROJECT

Introduction

Port staff requests authorization from the Port Commission to execute a contract modification to extend the final completion date for the Pier 94 Wetlands Enhancement Project by 126 days, from November 23, 2005, to March 29, 2006. Please note that the project was substantially complete on November 8, 2005 as scheduled in the original contract. This time extension will account for the orderly completion of this project, allow for the disposal of Class 1 Hazardous Waste generated during the Work, and for delays caused by personnel changes in the Contractor's project management team, multiple submittals and rejections of Contractor's Health & Safety Plan, Dust Control Plan, and Stormwater Pollution Protection Plan. Port Commission authorization for this proposed contract modification is required because the extension of time will cumulatively extend the schedule for contract completion in excess of ten (10) percent, the amount of time allowable for a staff authorized extension pursuant to the City's Administrative Code.

Background

The Port Commission, at its meeting on July 26, 2006, authorized under Resolution No. 05-43, the award of construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project, to Granite

This Print Covers Calendar Item No. 4A

Excavation & Demolition, Inc., the lowest responsive, responsible bidder, for the amount of $267,660.00, and further authorized staff to increase the contract amount by 13.60%, or $36,340.00, for unanticipated contingencies.

The project scope is defined as improving the habitat quality and beautification of salt marsh along the northeastern shoreline of Pier 94 through debris removal, earthwork, creation of new wetlands, removal of invasive eastern cordgrass, and construction of fences.

Schedule

On September 19, 2005, Port staff issued a Notice to Proceed, and included alternate bid item 4 in the base bid, with a substantial completion date of November 8, 2005. The Contractor was substantially complete within the contract allowance. At this point, since there were available unspent funds in the contingency amount, Port staff decided to award Alternate Bid Item 1, Class 1 Hazardous Waste Soil Disposal.

At the request of the Contractor, the Port completed a Waste Profile to investigate soil disposal options. Then, the Contractor informed the Port that additional testing was required, which had to be ordered, scheduled, and results awaited to meet the requirements of the Resource Conservation and Recovery Act (RCRA). Finally, due to record-breaking inclement weather this year, the Contractor was delayed in re-mobilizing at the site to haul off the Waste Soil.

At this time, the Contractor has satisfactorily completed all site work. The Contractor had difficulties finding a location for disposal of the Class 1 Hazardous Waste. Therefore, it is necessary to extend the project final completion date to March 29, 2006. The Contractor has not requested extended overhead costs.

Notice to Proceed (NTP):	September 19, 2005
Start of Work:	September 24, 2005
Substantial Completion:	November 8, 2005
Final Completion:	November 23, 2005
Revised Final Completion:	March 29, 2006

The Port staff did not previously request Port Commission approval of an extension because of uncertainty in project completion date. The project completion date was contingent upon execution of Work added under Alternate Bid Item 1.

Funding

There is no funding change for this contract modification.

Summary

Port staff recommends that the Port Commission authorize the execution of a contract modification to extend the final completion date by 126 days to March 29, 2006, for Construction Contract 2694R, Pier 94 Wetlands Enhancement Project, and further recommends that the Port Commission authorize the Executive Director to accept the Work.

Prepared by: Bradley J. Wilson, Resident Engineer
For: Edward F. Byrne, Chief Harbor Engineer

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-28

WHEREAS, the Port Commission, at its meeting on July 26, 2005, authorized under Resolution No. 05-43, the award of Construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project, to Granite Excavation & Demolition, Inc. (the "Contractor"); and

WHEREAS, the Port added additional work scope to the contract, which required additional testing to meet Resource Conservation and Recovery Act (RCRA) requirements; and

WHEREAS, the Contractor was delayed by an extremely wet weather season during Winter 2006; and

WHEREAS, at this time, the Contractor has completed all site work; and

WHEREAS, a contract modification is needed to extend the substantial completion date by 126 days to March 29, 2006 to allow for delays caused by personnel changes in Contractor's project management team, problems encountered in disposal of hazardous soil, and multiple submittals and rejections of Contractor's Health & Safety Plan, Dust Control Plan, and Stormwater Pollution Protection Plan; now, therefore be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a contract modification to extend the existing substantial completion date by 126 days, to March 29, 2006 for Construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project; and be it further

RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept the work.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 11, 2006.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 11, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Susan Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Request Authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2675, Pier 52/54 Parking Lot

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO EXECUTE A CONTRACT MODIFICATION TO EXTEND FINAL COMPLETION DATE BY 730 WORKING DAYS FOR CONSTRUCTION CONTRACT NO. 2675, PIER 52/54 PARKING LOT

Introduction

Port staff requests authorization from the Port Commission to execute a contract modification to extend the final completion date by 730 days, from February 3, 2004 to February 2, 2006. This time extension will account for the orderly completion of this project and account for unforeseen difficulties in negotiations with the Contractor related to constructability of oil recycling shed structure, presence of unforeseen utility conflicts, and contract closeout. Port Commission authorization for this proposed contract modification is required because the extension of time will cumulatively extend the schedule for contract completion in excess of ten (10) percent, the amount of time allowable for a staff authorized extension pursuant to the City's Administrative Code.

Background

The Port Commission, at its meeting on August 20, 2003, authorized under Resolution No. 03-59, the award of construction Contract No. 2675 Pier 52/54 Parking Lot Project, to Ghilotti Bros. Contractors, Inc., the lowest responsive, responsible bidder, for the amount of $424,813, and further authorized staff to include a 10% contingency of $42,481.

The project scope includes: Construction of a parking lot with 40 spaces capable of handling vehicles with trailers and a small timber structure to house an oil recycling shed.

This Print Covers Calendar Item No. 4B

Port staff issued a Notice to Proceed on October 6, 2003, with an original substantial completion date set for January 4, 2004. The project was substantially completed on time, in accordance with contract requirements. The Port gained beneficial use of the facility shortly thereafter.

Funding

The project cost is fully funded with allocated Port capital funds. This contract modification requires no change in funding.

Schedule

At this time, the Contractor has completed all contract work. The Contractor encountered various delays on the project, which included discovery of two high voltage underground power lines in conflict with the new contract Work (that a separate Contractor had to be contacted and scheduled to return to correct), and various man-made buried objects, all of which increased the demolition duration. In spite of the difficulties during construction, the Contractor met substantial completion and the Port gained beneficial occupancy of the parking lot.

During construction the Contractor had to manage with a revised roof design of the oil shed structure. Although this was time consuming, the Contractor completed this Work, and the Port did not suffer any monetary damages during the correction for the oil shed structure. Finally, negotiations between the Port and the Contractor on close-out, acceptance of work, and claim resolution were protracted. Therefore, it is necessary to extend the project final completion date to February 2, 2006.

Commission Award:	August 20, 2003
Notice to Proceed (NTP):	October 6, 2003
Start of Work:	October 16, 2003
Substantial Completion:	January 4, 2004
Final Completion:	February 3, 2004
Revised Final Completion:	February 2, 2006

The Port staff did not previously request Port Commission approval of a time extension because of uncertainty in the project completion date. The project completion date was contingent upon resolution of potential claims presented by the Contractor, which have been resolved.

Summary

Port staff recommends that the Commission authorize the execution of a contract modification to extend the final completion date by 730 days, from February 3, 2004, to February 2, 2006, for Construction Contract No. 2675, Pier 52/54 Parking Lot, and further recommends that the Commission authorize the Executive Director to accept the work.

Prepared by: Bradley J. Wilson, Resident Engineer
For: Edward F. Byrne, Chief Harbor Engineer

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-29

WHEREAS, the Port Commission, at its meeting on August 26, 2003, authorized under Resolution No. 03-59, the award of construction Contract No. 2675, Pier 52/54 Parking Lot, to Ghilotti Bros., Inc., (the "Contractor"); and

WHEREAS, at this time, the Contractor has satisfactorily completed all contract work; and

WHEREAS, a contract modification is needed to extend the final completion date by 730 days to February 2, 2006 to allow orderly completion of all work and account for unforeseen difficulties in negotiations with the Contractor related to constructability of an oil recycling structure, presence of unforeseen utility conflicts, and contract closeout; now therefore, be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a contract modification to extend the final completion date by 730 days, to February 2, 2006 for Construction Contract No. 2675, Pier 52/54 Parking Lot; and be it further;

RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept the work.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 11, 2006.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 5, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus President
Hon. Kimberly Brandon, Vice President
Hon. Susan Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Request for Authorization for Contract Modification to Extend Completion Date for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements Project

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO EXECUTE A CONTRACT MODIFICATION TO EXTEND THE COMPLETION DATE FOR CONTRACT NO. 2698, FERRY TERMINAL TSA SECURITY ENHANCEMENTS PROJECT

Introduction

Port staff requests that the Commission authorize the execution of a contract modification to extend the final completion date by 96 days, from January 25, 2006 to May 1, 2006. This time extension will allow the orderly completion of this project to account for difficulties encountered in installing the new gates at the Downtown Ferry Terminal. In addition, the grant from the Transportation Infrastructure Security Division (TSA) is expiring May 1, 2006. The requested time extension will allow for the final completion to coincide with the expiring grant. However, Port Staff is requesting additional time from TSA due to the inclement weather experienced during March. Port Commission authorization for this proposed contract modification is required by the Administrative Code because the time extension will extend the schedule for contract completion in excess of ten (10) percent of the original contract duration (Sec. 6.22, H, (2) of the San Francisco Administrative Code).

Background

The Port Commission, at its meeting on February 22, 2005, authorized under Resolution No. 05-16 the award of construction Contract No. 2698, Ferry Terminal TSA Security Enhancements Project, to Angotti & Reilly, Inc. as the lowest responsive, responsible bidder, for the amount of $159,805, and further authorized staff to increase the contract amount by 10%, or $15,981, for unanticipated contingencies.

This Print Covers Calendar Item No. 5A

The project scope included fabrication and installation of new security gates with automatic closers and openers, infill panels and all related electrical work on Ferry Terminals B and E. In addition, the scope included the installation of five (5) vehicular bollards on the North Promenade near the North West corner of the Ferry Building. Port staff issued a Notice to Proceed on May 4, 2005. The original contract duration was 90 calendar days with substantial completion set at August 7, 2005.

The contract was amended by the Port Commission at its meeting of June 14, 2005 to allow the installation of six (6) additional vehicular bollards on the South Promenade adjacent to Ferry Terminal Gate E (Resolution No. 05-39). This change increased the authorized expenditure to the amount of $194,402, and further authorized staff to increase the contract amount by 10%, or $19,440, for unanticipated contingencies. In addition, the contract amendment provided for an additional 38 days extension to October 4, 2005 to complete the new work.

The contract was further amended by Port Commission resolution No. 06-04 at its meeting of January 10, 2006 to include new work and materials for an improved gate operator system. This change increased the contract amount to $198,644, and further authorized staff to increase the contract amount by 10%, or $19,864, for unanticipated contingencies. In addition, the resolution provided for an additional 133 days extension to January 20, 2006 to complete the new work.

At this time, all of the vehicular bollards have been completed and gate steel fabrication and installation are in progress.

A dimensional error, caused by the difficult nature in designing for ADA compliance on a moving float, while considering facility security requirements, has delayed the construction. Although this presented a very difficult problem to resolve, Port staff believes that it has a working solution, and is now coordinating with the contractor and the Golden Gate Ferry Terminal to accommodate relocating passenger service while the gates are scheduled for installation.

Additionally, a record-breaking wet weather season during 2006 has impacted installation of the gates. The wet surfaces prevent proper bonding to weld the gate frames to the float surface. Moreover, the wind and slippery surfaces prohibit the safe progress of welding and electrical work. The natural occurrences have prevented faithfully scheduling work and rerouting foot traffic at the Ferry Terminals with confidence.

Funding

The funding for this project is through the TSA grant from the Office of Grants and Training Preparedness, Directorate U.S. Department of Homeland Security. The grant is expiring on May 1, 2006. Currently, 46% of the contract Work has been paid to the Contractor ($83,937.13). The Contractor has completed approximately 70% of the Work.

If the Contractor does not complete the Work by May 1, 2006, then the Port stands to lose funding related to the incomplete Work. Staff has negotiated with the Contractor an agreed schedule and Work Plan to complete the project by May 1, 2006.

In addition, the Port staff is requesting a grant extension due to the inclement weather, since there were 25 days of rain in March and more rain is forecasted in April. Port Staff is requesting an extension to June 1, 2006 with TSA in case this Work cannot be completed due to nature.

Schedule

At this time, Port staff is putting the contractor on an aggressive schedule to substantially complete the project by April 21, 2006. The final week will be alloted to test, troubleshoot the systems, and complete punchlist items.

2698 Ferry Terminal Security Enhancements

Start Date:	May 4, 2005
Original Contract Time:	90
Substantial Completion Date:	August 7, 2005
Revised Substantial Completion Date:	April 21, 2006
Revised Final Completion Date:	May 1, 2006

Summary

Port staff recommends that the Commission authorize the execution of a contract modification to extend the final completion date by 96 days to May 1, 2006 for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements Project, and further recommends that the Commission authorize the Executive Director to accept the work once it is complete.

Prepared by: Tim Leung, Administrative Engineer
For: Edward F. Byrne, Chief Harbor Engineer

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-26

WHEREAS, at its meeting on February 22, 2005, the Port Commission previously authorized the award of the construction contract, Ferry Terminal TSA Security Enhancements, Contract No. 2698, to Angotti & Reilly; and

WHEREAS, the Port Commission, through Resolution No. 05-39, subsequently authorized Port staff to modify the contract by change order, and increase the contract amount by $34,597 resulting in a revised contract amount of $194,402, and granting a 38 day extension for contract completion at its meeting on June 14, 2005; and

WHEREAS, the Port Commission, through Resolution No. 05-39, also authorized Port staff to increase the contract amount, as necessary, for unanticipated contingencies by an additional $19,440 (10% of $194,402) through contract modification(s) or change order(s); and

WHEREAS, the Contractor was delayed by a record-breaking wet weather season during 2006, but is approximately 70% complete to-date; and

WHEREAS, TSA grant funding is expiring May 1, 2006; and

WHEREAS, a further contract modification is needed to extend the final completion date by 96 days to May 1, 2006 to allow orderly completion of this project and account for complicated design difficulties in installing new gates at the Downtown Ferry Terminal Gates; now, therefore be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a contract modification to extend the final completion date by 96 days, to May 1, 2006 for Construction Contract No. 2698, for the Ferry Terminal TSA Security Enhancements Project; and be it further

RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept the work once it is complete.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 11, 2006.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 4, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Susan Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Request to Award Master Contracts with two firms: Winzler and Kelley/Tom Elliot Fisch-Joint Venture and Creegan + D'Angelo for *As-Needed Architectural and Engineering Professional Services*

DIRECTOR'S RECOMMENDATION: AUTHORIZE AWARD AND EXECUTION OF CONTRACTS FOR AS-NEEDED ARCHITECTURAL AND ENGINEERING PROFESSIONAL SERVICES

INTRODUCTION

Currently, the Port retains architectural and engineering related professional services on an "as-needed" basis through its two existing engineering and environmental services as-needed contracts with Parsons, Brinckerhoff, Quade & Douglas and Moffatt and Nichol Engineers respectively. These two existing as-needed contracts total $2.0 million combined and are due to expire June 30, 2006.

The Port Commission, at its meeting on July 26, 2005, adopted Resolution No. 05-46, authorizing staff to issue a Request for Qualifications (stated in Resolution No. 05-46 as Request for Proposals) for As-Needed Architectural and Engineering Professional Services. The Request for Qualifications (RFQ) solicited responses from qualified firms to enter into two master contracts for as-needed professional services over a three-year period at an amount not to exceed $1.5 million each. Port staff is requesting Commission authorization to enter into master contracts with the two top ranked firms responding to the Port's RFQ for As-Needed Architectural and Engineering Professional services: Winzler & Kelley/Tom Elliot Fisch Joint Venture and Creegan and D'Angelo.

This Print Covers Calendar Item No. 5B

Neither of the recommended firms is guaranteed to receive work under the proposed contracts for the entire "not-to-exceed" contract amount. Services procured by these contracts are subject to funding availability, staffing availability, and competitive proposals.

This staff report provides the background, scope of work, selection process, funding, and resolution summary.

BACKGROUND

This request for authorization to award master contracts represents the second discipline area out of a total of three contracts in which the existing As-Needed Engineering and Environmental Services has been divided. The first discipline area was environmental consulting services in which master contracts were awarded at the February 14, 2006 Port Commission meeting. The last of the three discipline areas will be As-Needed Construction Support Services which is expected to be brought back to the Port Commission for consideration before summer.

Staff secured the requisite Civil Service Commission and International Federation of Professional and Technical Engineers (IFPTE) Local 21 approvals prior to advertising the RFQ. Staff will continue to budget and utilize City staff from other departments through Interdepartmental Work Orders in instances where requisite staff is available to perform work prior to soliciting outside consultants to perform work under these contracts.

SCOPE OF WORK

Staff provided a list of professional disciplines required as subconsultants in the staff report for Port Resolution 05-46 (see Exhibit 1) authorizing advertisement of this subject RFQ. The specific scopes of work will vary with differing project needs. The types of project activities and facility work anticipated under this contract include (but are not limited to) dredging, bridges, harbors, piling (marine and land based) seawalls/wharfs, general utilities, security enhancements, building renovation design work and etc. In addition to design related work, consultants may also provide services related to engineering cost estimates, specification preparation, peer reviews and second opinions. Port Project Managers within the Engineering, Real Estate, Planning & Development and Maritime divisions will prepare a description of work and estimated budget before issuing informal Requests for Proposals (RFP) to the approved pre-qualified list of teams.

The informal RFP will require submittal of a fee proposal from one or both of the consulting teams. Staff from the Port's Finance and Engineering divisions will review the proposals for reasonableness and negotiate fees, as deemed appropriate.

After negotiating a reasonable fee, staff will issue a Contract Service Order (CSO) to the selected Lead Consultant/Team whose proposal represents the best value and qualifications for the specific project.

SELECTION PROCESS

The Port Advertised the RFQ on January 18, 2006 with a Disadvantaged Business Enterprise (DBE) goal of 20% as determined by the Port's HRC Contract Compliance Officer. A pre-submittal meeting was held on February 1, 2006. More than 50 firms were represented at the pre-submittal meeting.

A total of five (5) firms responded to the RFQ. One firm (Structural Design Engineers) was disqualified due to their failure to meet the minimum submittal requirements. The Port's HRC Contract Compliance Officer independently determined that each remaining team complied with the 20% DBE sub-consulting goal requirement. The Joint Venture firm represents a DBE joint venture. The following four (4) consultant teams responded to the RFQ and were deemed responsive (with each team being identified by its lead consultant in alphabetical order):

1. Creegan + D'Angelo
2. Moffatt & Nichol
3. Parsons Brinckerhoff
4. Winzler and Kelley/Tom Elliot Fisch Joint Venture

A six-member selection committee composed of two Port staff members, staff members from the San Francisco Department of Public Works, the San Francisco Public Utilities Commission, and the City of Oakland, reviewed submittals. The paper screening and interview phases of the selection process were evaluated using the following criteria: 1) Technical Approach; 2) Relevant Team Experience; 3) Staff Qualifications and 4) Team Organization.

Due to relatively similar qualifications of the four firms, all four (4) teams were invited for an interview. Staff convened interviews on March 3, 2006 during which consultant teams responded to a series of questions. A summary of score sheets for both phases of the evaluation process is attached as Exhibit 2.

While the selection committee evaluated the teams interviewed based on the RFQ criteria, the Committee advised that references should be factored into the ultimate decision of firms to be awarded contracts. The RFQ provided for references as the final determining factor in the recommendation for contract award. References were checked and deemed satisfactory. Accordingly, Port staff recommend the award of contracts to **Winzler and Kelley/Tom Elliot Fisch JV** and **Creegan + D'Angelo** as the two top-ranked teams from the interview process. Exhibit 3 is a list of firms comprising the top two teams and their areas of expertise as well as DBE percentage participation.

FUNDING

Although these two proposed master contracts each have a not-to-exceed dollar amount of $1,500,000 over three years, each Contract Service Order (CSO) issued will be based upon available funding as appropriated for the required work and the maximum dollar threshold limits authorized by the Port Commission. It is anticipated that CSOs will be funded through both operating and capital budgets.

SUMMARY

Port staff request the following authority from the Commission:

1. Authorization to enter into master contracts with Winzler and Kelley/Tom Elliot Fisch Joint Venture and Creegan + D'Angelo as the two top-ranked consultant teams responding to the January 31, 2006 Request for Qualifications for As-Needed Architectural and Engineering Consulting Services;

2. Authorization to execute such master contracts with terms of three years with the option to renew each contract for an additional year;

3. Authorization to award the master contracts in amounts not to exceed $1,500,000 each; and

4. Authorization to issue individual Contract Service Orders (CSOs) without further Port Commission approval in amounts that shall not exceed cumulatively nor individually $200,000 for any public works project.

Prepared by: Norma Nelson, Contracts Manager
For: Tina Olson, Deputy Director
Finance & Administration

Prepared by: Timothy Leung, Administrative Engineer
For: Ed Byrne, Chief Harbor Engineer

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-27

WHEREAS, On July 26, 2005, through Resolution 05-46 the Port Commission authorized Port staff to issue a Request for Qualifications (RFQ) for As-Needed Architectural and Engineering Professional Services; and

WHEREAS, periodically, Port projects require essential architectural and engineering services which exceed the staff resources available within the Port and other City departments; and

WHEREAS, Port staff has previously managed architectural and engineering consulting needs through "as-needed" contracts to augment staffing of important projects; and

WHEREAS, following staff's issuance of the RFQ dated February 18, 2006, the selection committee identified the two highest ranked firms as Winzler and Kelley/Tom Elliot Fisch, a Joint Venture and Creegan + D'Angelo; and

WHEREAS, Port staff wish to enter into master contracts with these two top ranked firms for as-needed architectural and engineering consulting services to provide a timely and cost-effective vehicle for the provision of essential professional services on Port projects; now therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes staff to award and enter into master contracts in such form as approved by the City Attorney's Office, with the following consultant teams who are the two highest-ranked respondents to the RFQ: (1) Winzler and Kelley/Tom Elliot Fisch - Joint Venture and (2) Creegan + D'Angelo; and be it further

RESOLVED, that the Port Commission hereby authorizes staff to execute such master contracts in an amount not to exceed $1,500,000 each, for a term not to exceed three (3) years, with the Port reserving the option to renew each contract for one additional year beyond the third year; and be it further

RESOLVED, that the Commission hereby authorizes staff to issue Contract Service Orders (CSOs) under each such Master Contract directing consultant teams to perform work on specific projects; provided that CSOs under each master contract shall not exceed $200,000 cumulatively for any single public works project, nor shall individual CSOs exceed $200,000 without further Commission authorization.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 11, 2006.

_____
Secretary

Exhibit 1

The consultant may be required to provide any of the following services in the following disciplines in addition to other specialized services at the discretion of the Port of San Francisco:

Architecture
Civil engineering & surveying
Structural engineering
Mechanical engineering & Fire Protection
Electrical engineering
Naval architectural & Marine engineering
Transportation engineering
Fire Protection engineering
Coastal engineering
Environmental engineering
Geotechnical engineering
Container crane consulting
Security consulting
Cost estimating
Scheduling
Project Management
AutoCAD

The Scope of Work is to be used as a general guide and is not intended to be a complete list of all work potentially requested.

Exhibit 2

RFQ: As-Needed Architectural and Engineering Services
SUBMITTAL DUE DATE: February 21, 2006

Paper Screening Scores 2/28/06			
Firm Name	**Raw Total Score**	**Ave. Score**	**Rank**
Parsons, Brinckerhoff Quade & Douglas	509	84.83	1
Moffatt & Nichol Engineers	493	82.17	2
Creegan + D'Angelo	491	81.83	3
Winzler & Kelley/Tom Elliot Fisch	489	81.50	4

3/3/06 INTERVIEW SCORES			
Firm Name	**Raw Total Score**	**Ave. Score**	**Rank**
Winzler & Kelley/Tom Elliot Fisch	541	90.17	1
Creegan + D'Angelo	526	87.67	2
Moffatt & Nichol Engineers	490	81.67	3
Parsons, Brinckerhoff Quade & Douglas	453.5	75.58	4

Exhibit 3

Port As-Needed Environmental Consulting Services: DBE PARTICIPATION

PRIME	DBE SUBCONSULTANT	SERVICE	DBE %
WINZLER & KELLY/TOM ELLIOT FISCH JV	ROYSTON HANAMOTO ALLEY& ABEY	LANDSCAPE ARCHITECTURE	
	NBA ENGINEERING, INC.	MECHANICAL, ELECTRICAL AND FIRE PROTECTION ENGINEERING	10%
	PITTMAN & ASSOCIATES	PARKING CONSULTING	2%
	TEECOM DESIGN GROUP INC.	SECURITY CONSULTING	2%
	M. LEE CORPORATION	COST ESTIMATING/ SCHEDULING	5%
	MARINA DEE DESIGN	AUTOCAD	1%
	ALFRED WILLIAMS CONSULTANCY	COMMUNITY OUTREACH	2%
TOTAL DBE COMMITMENT			**22%**
CREEGAN + D'ANGELO			
	AGS, INC.	SEAWALLS, BREAKWATERS	5%
	EDWARD GEE & ASSOCIATES	ADA COMPLIANCE/INSPECTIONS	5%
	STEVENS & ASSOCIATES	LANDSCAPE / ARCHITECTURE	4%
	TEECOM DESIGN GROUP	SECURITY CONSULTING	1%
	YEI ENGINEERS, INC.	MECHANICAL/ ELECTRICAL	5%
TOTAL DBE COMMITMENT			**20%**

PORT OF SAN FRANCISCO

MEMORANDUM

April 5, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique A. Moyer
Executive Director

SUBJECT: Informational Presentation on Proposal by Pacific Waterfront Partners, LLC to develop Seawall Lot 351 at Washington Street and The Embarcadero

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY - NO ACTION REQUIRED

Pacific Waterfront Partners, LLC ("Developer"), the developer of the Piers 1½ - 5 Historic Rehabilitation Project, plans to develop a mixed-use development project at 8 Washington Street on non-Port property owned by the Golden Gateway Center between The Embarcadero and Drumm Street ("8 Washington Property"). The Developer has entered into a purchase option agreement with Golden Gateway Center for the 8 Washington Property.

The 8 Washington Property is located adjacent to the Port's Seawall Lot 351 ("SWL 351") - shown on Attachment A – which is located directly across The Embarcadero from Pier 1. The Developer has made an unsolicited proposal to Port staff that the planned mixed-use development also incorporate SWL 351, and that the Port enter into a public-private partnership with the Developer involving SWL 351. The proposed mixed-use development on the combined 8 Washington Property and SWL 351 would include: residential condominium units, restaurant and retail uses on the ground floor fronting on The Embarcadero and on Washington and Drumm Streets, the Golden Gateway Tennis and Swim Club ("Club"), open space, and an underground parking garage that would provide short term parking for visitors to the waterfront, including the Ferry Building Marketplace and the Port, as well as parking for the owners of the residential condominium units and for the Club.

The Developer will present its plans for this mixed-use development project as a part of the informational presentation to the Port Commission. The Developer is acting alone and not as part of any solicitation of the Port. The Developer is meeting with various stakeholders to discuss its plans. As such, the Developer asked to make this presentation to the Port Commission.

This Print Covers Calendar Item No. 6A

BACKGROUND

8 Washington Street

The 8 Washington Property contains approximately 109,225 square feet, which is currently occupied by the Club, as shown on Attachment B. Golden Gateway Center previously proposed a mixed use development on the 8 Washington Property, which would have included 120 residential condominium units, the Club, and parking. Required entitlements from the City Planning Department included environmental certification and conditional use authorization. The Planning Department did issue a Preliminary Mitigated Negative Declaration for this proposed project in 2003, but it was not certified.

SWL 351

Seawall Lot 351 is a 27,937 square foot paved parking lot. This parking lot (along with Pier ½) is currently subject to the Parking Agreement with Ferry Building Investors, LLC, which dedicates use of this parking lot for short-term parking by customers of the Ferry Building Marketplace and the Port (discussed further below under Parking Needs).

SWL 351 is designated in the City's Zoning Code as a Residential-Commercial Combined District (RC-4), which allows a mixture of dwellings with supporting commercial uses located at the ground level. The Zoning Code permits an 84 foot height. SWL 351 is located outside of the jurisdiction of the Bay Conservation and Development Commission ("BCDC"), but it is encumbered by the Public Trust.

Waterfront Land Use Plan

Per the Port's *Waterfront Land Use Plan,* SWL 351 is located in the Ferry Building Waterfront, and the Waterfront Plan includes the following fundamental Objectives for the Ferry Building Waterfront:

- "Provide a mix of uses that emphasizes the civic importance of the area, generates waterfront activity and serves San Franciscans and visitors alike."
- "Restore the Ferry Building Waterfront as a major transit center by improving transit access and transfers among water and land transportation modes."
- "Provide efficiently planned parking and loading facilities to serve new activities in the area."
- "Physically and visually integrate the Ferry Building and environs with their spectacular City and Bay settings."
- "Pursue a mix of public and private resources to achieve an appropriate quality and mix of uses."

SWL 351 is also a part of the Ferry Building Mixed-Use Opportunity Area, and the Waterfront Plan includes the following Development Standards for the Ferry Building Mixed-Use Opportunity Area:

> "Explore the possibility of obtaining economic value from Seawall Lot 351 by combining it with the adjacent Golden Gateway residential site to provide expanded opportunities for mixed residential and commercial development."
>
> "Maximize efficient use of new and existing parking to serve existing business, further promote public use of the Ferry and Agriculture Buildings, and stimulate reuse of Piers 1, 1-1/2, 3 and 5."
>
> "Any pier parking should be hidden from view, perhaps in or behind structures, and should not interfere with access to or enjoyment of the waterfront."

The Waterfront Plan identifies the following Acceptable Uses for SWL 351: Residential, Assembly and Entertainment, General Office, Parking, Retail (including restaurants), Recreational Enterprises, Visitor Services, Community Facilities, and Open Space.

Parking Needs

In conjunction with its approval of the 66-year Ground Lease with Ferry Building Investors, LLC ("Investors") for the Ferry Building, the Port Commission also approved a Parking Agreement with Investors, which is renewable at 10-year intervals during the 66-year term of the Ground Lease. This Parking Agreement obligates the Port to provide Investors with at least 150 parking spaces within a designated proximity of the Ferry Building for use by its customers. Currently, this obligation is being met by open surface parking at SWL 351 (76 parking spaces) and at Pier ½ (100 valet parking spaces). It is noteworthy, however, that BCDC's *San Francisco Waterfront Special Area Plan,* as amended in 2000, includes the following policy concerning Pier ½: "Remove a portion of Pier ½ as part of the Ferry Terminal Phase 2 development project, retaining only that portion required for retaining a vessel berthing facility and public access." Planning for the Ferry Terminal Phase 2 development is scheduled to commence during the third quarter of 2006.

Likewise, in conjunction with its approval of the 50-year Lease with the Developer for Piers 1½ , 3 and 5, the Port Commission also approved a Parking Agreement with the Developer for the term of the Lease. This Parking Agreement obligates the Port to provide Partners with 25 parking spaces for use by its subtenants and their customers within a designated proximity of Piers 1½, 3 and 5. This obligation is currently being met at Pier 3 through an agreement between the Port and Hornblower Yachts, Inc., which leases the remainder of Pier 3 from the Port.

The underground parking garage proposed by the Developer would meet these parking obligations and the other parking needs of the Ferry Building Waterfront – within the context of the City's Transit First policy - as further discussed in the *Embarcadero Parking and Transportation Analysis,* dated June 28, 2005, available on the Port's web-site.

NEXT STEPS

Port staff has identified for consideration by the Port Commission the following initial steps regarding this proposed mixed-use project.

- Developer needs to submit a specific proposal to the Port regarding its proposed public private partnership development of SWL 351 for review by Port staff. This proposal would need to include: the proposed development entity and team; project concept, development program and operational and management plan; design, financial proposal including financial structure and terms; cash flow projection; and project schedule. Following its review, Port staff would seek Port Commission direction.

- Before the Port should consider any action that would allow exclusive negotiations, the Developer should obtain a Board of Supervisors resolution determining that a competitive bidding process (such as a request for proposals process) is "impossible or impractical" under the City's Administration Code Section 2.6, and that the Board would not disapprove a final development agreement based on a failure to bid the development opportunity. The rationale for this determination would be the fact that the Developer has exclusive site control of the adjacent property, which the Waterfront Plan recommends be developed in combination with SWL 351.

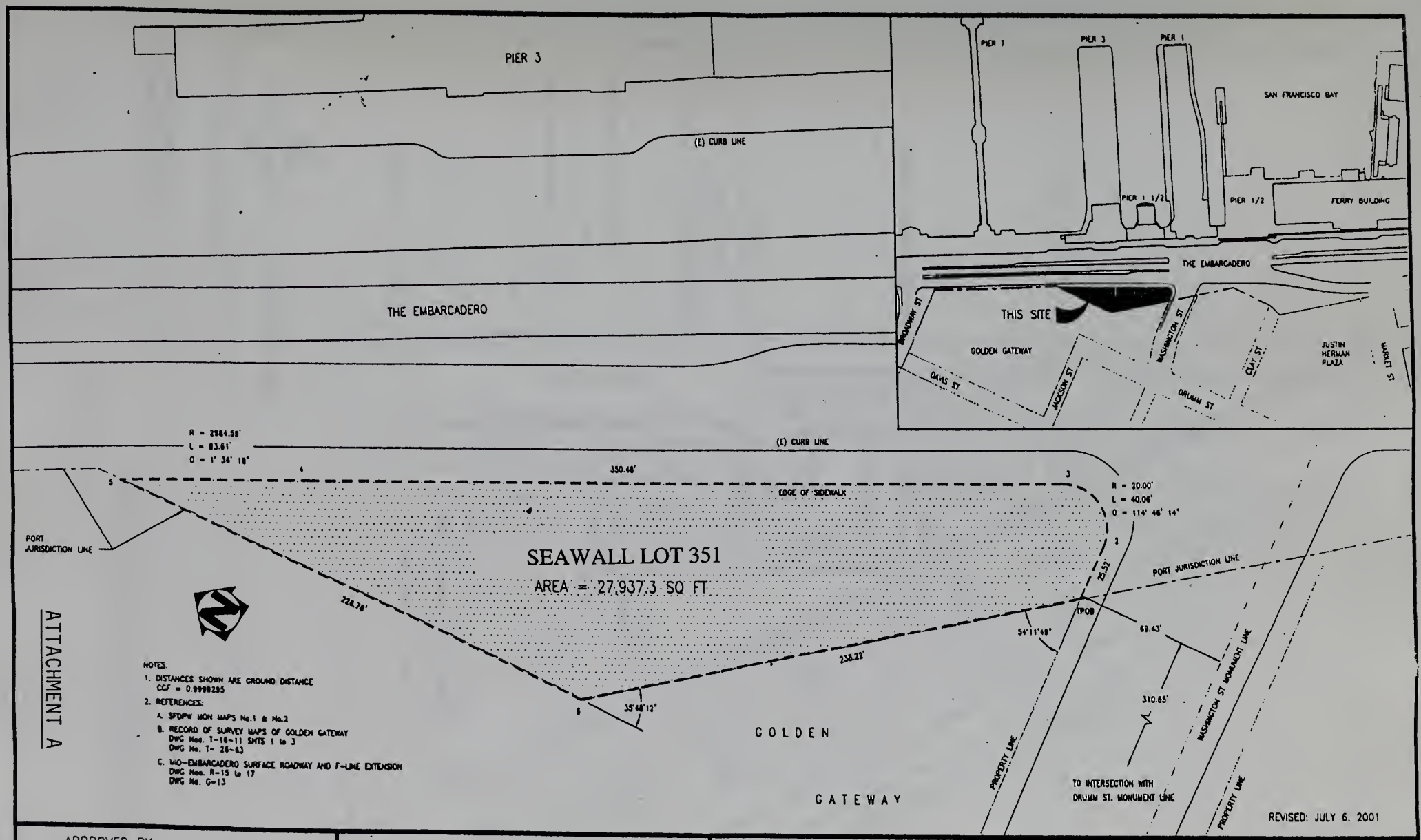
- Following the Board resolution determining that a competitive bidding process would be "impossible or impractical," Port staff and the Developer would negotiate a term sheet that would include the terms of the exclusive right to negotiate agreement and the disposition and development agreement. Port staff would seek the Port Commission's direction in these negotiations, and any term sheet and exclusive right to negotiate agreement would require approval by the Port Commission. It is also expected that the term sheet would require endorsement by the Board of Supervisors.

- The Developer intends to take advantage of the existing environmental review for the former 8 Washington project that has not yet been certified. Thus, it is expected that the project would also require a determination by the Board of Supervisors that it is fiscally feasible and responsible before CEQA could continue.

- Since Seawall Lot 351 is subject to the Public Trust which precludes residential development, the Developer contemplates an internal trust swap within the proposed project site. The Developer would build the underground public parking garage in exchange for the right to build a mixed use development above ground. In other words, the Public Trust encumbrance would be lifted from the surface and air above SWL 351 and would be placed upon the underground public parking garage under Seawall Lot 351 and the adjacent 8 Washington Property. The Developer would need to obtain approval of this exchange from the State Lands Commission.

- Prior to Port Commission action on a disposition and development agreement, the Developer would need to obtain environmental certification.

Prepared by: John Doll
Project Manager



APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE _____

CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

SEAWALL LOT 351

PREPARED BY: ECC	CHECKED BY:
DRAWN BY: ECC	DATE: NOV. 30, 1994
CONTRACT NO.	SCALE: 1" = 40'
DRAWING NO. ATTACHMENT A	SHEET NO. OF SHEETS

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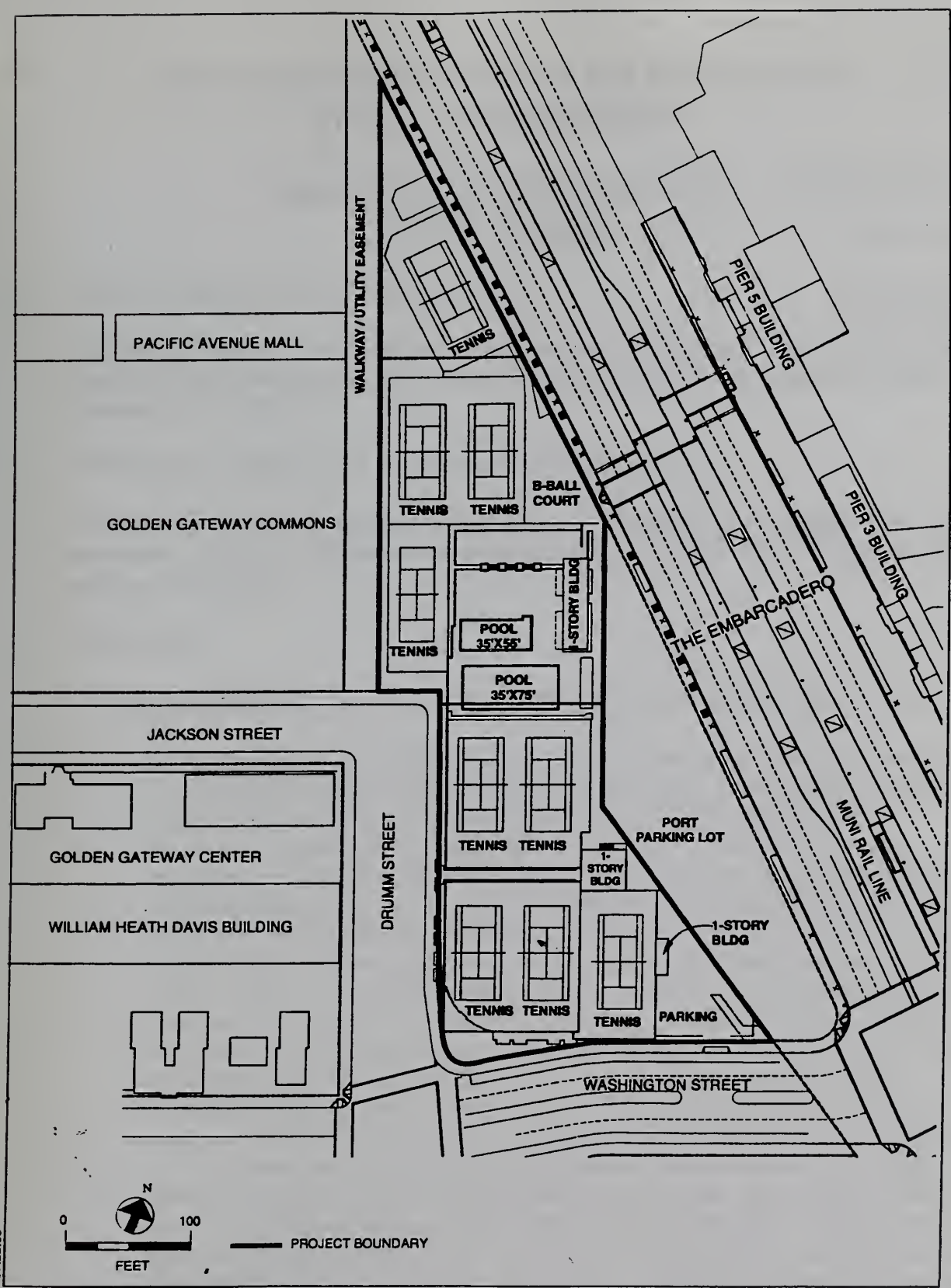

SOURCE: Heller-Manus, Turnstone Consulting

8 WASHINGTON STREET

EXISTING USES ON THE PROJECT SITE

ATTACHMENT B

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
APRIL 11, 2006

DOCUMENTS DEPT.

APR 20 2006

SAN FRANCISCO
PUBLIC LIBRARY

1. CALL TO ORDER / ROLL CALL

Commission President Ann Lazarus called the meeting to order at 3:07 p.m. The following Commissioners were present: Ann Lazarus, Kimberly Brandon, Sue Bierman, Michael Hardeman and Wilfred Hsu.

2. APPROVAL OF MINUTES - March 28, 2006 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; the minutes of the March 28, 2006 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report. Acting Director Byron Rhett reported the following:

- Salmon Season: The Pacific Fisheries Management Council has been considering the possibility of eliminating the 2006 Salmon season. We would like to take an opportunity to inform you of their deliberations. The 2005 season was dramatically limited because of problems with the Klamath River salmon population. It has been going down for the last three years. The reductions are related to problems in the river related to irrigation, drought and the establishment of dams and so the Council was looking at recommendations as to what to do. The Council met last week, listened to expert testimony from fish fishermen and from various experts. I should note that the fishing industry is very significant here in San Francisco and I would like to give you a few statistics specifically before I talk about their vote. There are some 1,500 jobs that are created here in San Francisco are directly related to the industry and about $45 million annually in local purchases come as a result of the industry. There are another $126 million in benefits and $5 million that goes directly to the state related to taxes. So, the vote that was taken was to restrict the salmon season which happens in the spring and through September which would dramatically reduce the salmon season. There was concern that the salmon season would be closed altogether. This occurred because fishermen cannot recognize or make a determination as to which salmon are Klamath salmon as related to other salmon. The proposal then was to restrict the salmon season altogether. But the decision by the 15-member committee was to limit it dramatically and this is a more significant reduction than has happened in the last three years, but more importantly, the Governor sent a letter to the U.S. Commerce Department recommending that the California fishing areas related to the Klamath River and to salmon fishing in general be declared disaster areas and

looking for relief for those areas from the federal government. Peter Dailey and other members of his staff are here today if you have any questions about this particular effort. There is no date set yet for the National Marine Services to take this recommendation and decide whether or not to actually close or limit the salmon season as has been recommended by the Council.

- Alcatraz Ferry Service Update: This item, related to the Hornblower Alcatraz Ferry Service, was requested by members of the Inland Boatmen's Union, Masters, Mates and Pilots Union and the San Francisco Labor Council. I will now give you a brief update on what is the status. There are no members here represented by the National Park Service as they were not available for this meeting. I will give you a brief update on the situation related to the transfer of the service to Hornblower from the National Park Service. The National Park Service indicated to Blue & Gold Fleet that they would like them to continue the service through May 31st. It is their intention to enter into a contract with Hornblower on May 8th and they would like a hearing before this Commission and have tentatively propose that a hearing be held on May 23rd where the National Park Service and Hornblower could make a presentation to this Commission. Further, there have been challenges to the contract or the proposal to word the contract for Alcatraz Ferry Service to Hornblower. In particular, Blue & Gold Fleet challenged the award and late last month in the Federal Appeals Court, there was a decision that the award was valid and their challenge was denied. There are two other legal actions or lawsuits that are pending related to this matter. The Inland Boatmen's Union and the Masters, Mates and Pilots Union have lawsuits pending with the National Park Service related to the wages that the National Park Service can charge as it relates to their proposed contract with Hornblower. They are questioning, and there are representatives here who might speak to this, they're challenging the federal regulations that may apply to that particular contract. There is a hearing set for April 28th to consider that challenge. Just a couple of other matters related to the possible transfer of this service. At Pier 31 ½, Hornblower has existing ferry service not to Alcatraz and they have made application for some changes to their operation at Pier 31 ½. Specifically, they've requested that be able to resurface and re-stripe the parking lot and install a temporary toilet. In looking at their request, it is staff's determination that those improvements as we see it related to the transfer of the service to Hornblower related to Ferry Service to Alcatraz, that that it a possible intensification of the use of the Pier 31 ½ half area, and accordingly, we believe that CEQA (California Environmental Quality Act) would apply here in that environmental review would be necessary. We have indicated that to Hornblower by way of a letter dated March 24th and we are following up with them on that matter. That concludes my presentation and my status report and there may be some members of the public here who would like to speak on this matter.

Commissioner Lazarus asked if there were any questions or comments from the Commission. If not, she asked for any public testimony on the Executive Director's Report.

Captain Shipway, the branch agent representing the pilots' interests as well as the Inland Boatmen's Union and the Masters' Mates and Pilots Union workers wanted to just say thank you to the staff for their work and for the correspondence you have put forward already and for helping us with that. We appreciate the report. Although the National Park Service did not show up for this meeting, that's too bad, but we also thank you all personally for the support to our working brothers and sisters. Thank you.

Commissioner Lazarus said thank you to Captain Shipway and asked if anyone else would like to comment on the Executive Director's report.

- **4. CONSENT**

A. Request authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2694R, Pier 94 Wetlands Enhancement Project, to Granite Excavation & Demolition, Inc. (Resolution No. 06-28)

B. Request authorization for a Contract Modification to Extend Final Completion Date for Construction Contract No. 2675, Pier 52/54 Parking Lot. (Resolution No. 06-29)

ACTION: Commission Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution Nos. 06-28 and 06-29 was adopted.

5. ENGINEERING

A. Request authorization for Contract Modification to Extend Substantial Completion Date for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements Project. (Resolution No. 06-260

Tim Leung, Administrative Engineer for the Ferry Terminal Security Enhancement Project explained that the purpose of this project is to increase the security against terrorist activity by installation of vehicle bollards at the north and south promenades adjacent to the Ferry Building and by installation of a secondary set of gates at the float end of the terminals, Gates B and E. To date, eleven of the vehicle bollards have been installed and installation of the gates are underway. This request is for permission to extend the final date to no later than May 31, 2006. The increase in schedule is requested in order to account for a design error in placing the new gates at a location with structural conflicts, a record-breaking wet weather season of 2006, and an expiring TSA grant fund. Port staff believes that the proposed design change eliminates the structural conflicts encountered during low tide levels and will now result in increased security. The unpredictable inclement weather experienced thus far has made it extremely difficult to reroute pedestrian traffic because of the requisite advanced notification to the Ferry Terminal Service. Schedules were planned, but rain caused the plans to be aborted. The adverse weather impacted ability to weld the gate supports to

the wet deck. The Federal TSA grant that is funding this construction was to expire at the end of April. However, yesterday, the Port was able to secure an extension to June 2006. If better weather conditions prevail, we have confidence that the construction will be able to be completed within this extended window of opportunity if necessary. However, the current plan is to achieve final completion by April 30th. Port Commission authorization is requested because the additional contract extension exceeds 10% of the schedule. Staff also recommends that the Commission authorize the Executive Director to accept the work once it is complete.

ACTION: Commission Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 06-26 was adopted. Motion is carried.

Commissioner Lazarus asked Mr. Leung about the May 31st completion date as she believes the resolution says May 1st.

Tim Leung responded that he just secured the time extension yesterday and did not have time to send out an amended Commission report.

B. Request to award Master Contracts with two firms: Winzler and Kelley/Tom Elliott Fisch-Joint Venture and Creegan + D'Angelo for As-Needed Architectural and Engineering Professional Services. (Resolution No. 06-27)

Norma Nelson, Contracts Manager for the Port stated that a revised staff report with a typo correction concerning the RFQ issue date has been provided to you. Today, you are being asked to authorize Port staff to enter into two master contracts for As-Needed Architectural and Engineering Professional Services. The awards of these contracts not only include the firms into which we will enter into contracts, but also a team of other professionals in various disciplines. For this report, I will give you a background on the overview of the previous Commission item, a summary of the description of the procurement process and a summary of the recommendations included in the resolution before you. In terms of background, at your July 26, 2005 meeting, the Commission authorized staff to advertise a Request for Qualifications. Though it stated in the resolution that it was a Request for Proposal, it was intended to be a Request for Qualifications for As-Needed Architectural and Engineering Professional Services. This particular procurement has been separated relative to the 2003 procurement for Environmental As-Needed Engineering Services. What we did was ask you to allow us to advertise for three procurements instead of one, so at your February meeting, you awarded contracts for environmental services. Today we are asking you to award contracts for architectural and engineering services and then we will come back probably in June and ask you to authorize a contract award for construction support services. Each one of the two master contracts before you today are not to exceed $1.5 million and each has a three-year contract term with the option to renew for one additional year. I would like to go over the selection process at this time. We issued the RFQ on January 18, 2006. We had a Disadvantaged Business Enterprise participation goal of 20%. We had a pre-submittal meeting on February 1st and there were addendums issued to clarify questions that were raised by potential respondents to the RFQ. There were a total of five teams that responded to the RFQ. One of the five

teams was disqualified because their response was deemed non-responsive to the RFQ requirements. The Selection Committee was then presented with submittals from four teams to review and all of those firms were deemed qualified sufficiently to come in for an interview. Basically, there were three phases of the selection process: the paper screening which involved reviewing the actual submittals to the RFQ responses, the actual interview and the reference checks. After the paper screening process and interviews were completed, the Selection Committee at that time strongly encouraged that staff do a reference check and reference checks were actually included as part of the RFQ requirements in any event. So we completed the reference checks and found that the reference checks for the firms for which you are being recommended to award contracts did come back with favorable results. We completed the process based upon those three phases. Before you today, our specific request is for authorization to enter into two master contracts; one with Winzler and Kelley/Tom Elliott Fisch-Joint Venture and, by the way, I didn't mention that this particular joint venture involves a Disadvantaged Business Enterprise and so, once again, the Port is able to include disadvantaged businesses not only at the subcontracting level, but at the prime contracting level as well. So, the second firm, Creegan + D'Angelo, although not a DBE, was one of the two top ranked firms from the selection process. As I indicated before, we are asking you to award these contracts for a term not to exceed three years with the option to renew for one additional year. We are also asking you to award these two contracts in an amount not to exceed $1.5 million. We are also asking you to authorize us to engage in work with these firms on contract service orders not to exceed $200,000 cumulative or on any public work project without having to come back to you for additional approvals. That concludes my report.

ACTION: Commission Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution Nos. 06-27 was adopted. Motion is carried.

6. PLANNING & DEVELOPMENT

A. Informational Presentation on Proposal by Pacific Waterfront Partners, LLC to develop Seawall Lot 351 at Washington Street and The Embarcadero

John Doll, Project Manager in the Planning & Development Division of the Port reminded everyone as did Amy that this is an informational presentation only and that no action is required. The Port received an unsolicited proposal from San Francisco Waterfront Partners, the developer of the 1 ½-5 Project. They intend to secure the entitlements for a mixed use project at 8 Washington Street that would potentially include Port Seawall Lot 351. In your staff report, there is an attachment which shows basically where Seawall Lot 351 is located across from our offices. The developer has secured an option agreement from the current landowner, The Golden Gateway Center, to potentially purchase the 8 Washington Street property. The developer intends to propose that the Port enter into public/private partnership to incorporate the seawall lot into the project. The developer has met, and will continue to meet, with various stakeholders to discuss his development plans. As such, the developer asked to make this presentation to the Commission. Currently,

Seawall Lot 351 is an approximately 24,000 square foot parcel and is used primarily as a public parking lot for the Farmer's Market customers at the Ferry Building. This lot is subject to the parking agreement with the Ferry Building Investors which use is dedicated for short-term customer parking. The parking agreement obligates the Port to provide the Ferry Building developer at least 150 parking spaces within close proximity of the Ferry Building. This is currently being met at parking spaces on Seawall Lot 351 as well as Pier ½. However, the BCDC Special Area Plan includes a policy whereby it links the elimination of Pier ½ with the Ferry Building Phase II development. The developer's conceptual plan entails retail development as well as the tennis club on the ground floor, condos on the upper floors with underground parking. A portion of this underground parking would be dedicated for public use and meet the parking obligations under the Ferry Building parking agreement and other needs. Development of this site would be compatible with the Waterfront Land Use Plan. The plan states, with regard to Seawall Lot 351, "to explore the possibility of obtaining economic value from Seawall Lot 351 by combining it with an adjacent Golden Gate Residential site to provide expanded opportunities for mixed use residential and commercial development." The planning code permits an 84-foot height limit and Seawall Lot 351 resides within the public trust. Port staff has identified a number of steps regarding this proposal for mixed use development. The developer needs to submit a very detailed proposal. Before the Port can consider any action that would allow exclusive negotiations, the developer must obtain from the Board of Supervisors a resolution to allow sole sourcing of this project. The rationale for this is that the developer has site control of the adjacent property and that a public bidding process would be impractical. After this Board resolution, the Port and developer would negotiate a term sheet. Port staff would then come back and seek the Port Commission's direction and eventually the endorsement of such a term sheet. Lastly, the developer intends to take advantage of the existing environmental review of the former 8 Washington Street project that has not yet been certified by the Planning Commission and any Port Commission action on the disposition and development of Seawall Lot 351 would be lifted from Seawall Lot 351 and be placed within an underground parking garage on Block 201 which is 8 Washington Street property and Seawall Lot 351. The developer would need to obtain approval from the State Lands Commission to approve this exchange. With that, I would like to introduce to you, Simon Snellgrove, the President of San Francisco Waterfront Partners.

Simon Snellgrove, President of S.F. Waterfront Partners, LLC stated that he is here today to talk to you in the capacity not only as the developer of Piers 1 ½-5, but to give you an informational presentation on an idea we have for your Seawall Lot 351. In front of you there is an aerial photograph complements of Google which shows the immediate neighborhood of the Ferry Building waterfront area. Mr. Snellgrove pointed out the Ferry Building, the park, Justin Hermann Plaza, etc. When we started our development of the piers project, we had discussions with the Port about perceived needs for short-term parking and we were able to make an interim arrangement, to the displeasure of BCDC, to put some on Pier 3. Similarly, the Ferry Building, as John pointed out, is temporarily occupying Pier ½ with some of its parking and of course the balance is taken up by your Seawall Lot 351. Seawall Lot 351 is approximately 27,000 feet and we are proposing to combine it with Block 201 on the western half of this site. You will recall that there was previously a proposal for the Golden Gateway Center to develop that and that at the time I was disappointed as were others that that did not include Seawall Lot 351 and therefore sort

of lost the opportunity to do something about a more civic benefit. So when I saw that a couple of years ago, I started thinking about how we could make a major contribution to the City and to the Port by providing underground parking and came up with this plan today. So the objectives of his proposal is firstly to build a 350 car underground parking garage, facilitate access to the Farmer's Market and the waterfront, provide parking for the Ferry Building waterfront, decrease traffic congestion, provide a viable alternative to parking on San Francisco's piers and assure long-term sustainability of the Farmer's Market. The second objective is that it would also enable the Port to take its vehicles off Pier 3 and park them underground. It would provide 170 additional residential units. We would, as part of that, provide 30 affordable housing units and we are working diligently to provide those in the immediate neighborhood. We are very excited to have the opportunity to reconnect Jackson Street with the waterfront which we will show you during this presentation and we would provide street level restaurants, cafes and health clubs to enhance the pedestrian environment and create vitality. As part of the mitigation of the loss of three of their nine tennis courts, we would provide rather elaborate recreational facilities for the Golden Gate Tennis Club and we believe the whole project will meet and exceed the Waterfront Land Use Plan. Now I am going to go over to the Site Plan which in the upper left hand corner repeats all these objectives and before Richard Hannum, who is here with me today presents the design of this, I just want to show you that the underground parking would be pretty much all of the block with two and possibly three levels with pedestrian access points on Washington and the Embarcadero so we would have the yellow shown as the public parking and the green areas as the private parking for the condominiums. Excitingly enough, we feel that we will be able to create a park through which the public would be able to access the waterfront from Jackson Street and be able accommodate six of the nine tennis courts that the Golden Gate Tennis Club currently has. We would be able to increase the outdoor area from 17,000 to 18,000 square feet for outdoor recreation and we would be able to provide a club whose current exercise facilities are sort of in the basement of the Davis Building. So all of this green is the area we would give back to the tennis club and the blue is retail and cafes that we would add to the street. We have met with many of the stakeholders, Golden Gateway residents, Commons residents, Waterfront Action Group, FOG, and Telegraph Hill Dwellers. We modified the plans to respond to the greatest extent possible to respond to their concerns and now I am going to turn it over to Richard Hannum who is the Design Architect on the project and who will show what we are proposing.

Richard Hannum, Design Architect for the 8 Washington Street Project continued the presentation. He said this was another great opportunity for him to work with the Port and Simon to continue the efforts and learning that we have been working on in Piers 1 ½ - 5 for the last, it seems like now, six years. The purpose of the project, aside from satisfying a lot of the goals that were put forward to simply provide parking, was to solve those problems that Simon saw with the whole. Overall, there had been ongoing discussions, was for us to look at the civic context and the planning context of this corner, and how, when combining the two properties, we get to look at the overall cityscape and work on the Ferry Plaza and completing the impact of that design, on the Embarcadero and on its relationship to the neighborhood. When Simon challenged us this, he wanted to look for a design context that blended and respected all the different parts of what was happening here and yet still had something that was strong enough that was going to anchor that corner. What you see here is a rendering, a conceptual drawing of the project which as you

can see is deriving a lot of its detailing and thought from the design of the original pier projects and the pier buildings on the waterfront Embarcadero side. Rather than looking up the hill at Drumm Street or at the Golden Gateway, you are really oriented towards the Ferry Building and the Ferry Plaza and the Embarcadero. We worked with the urban principles that had to do with building the Embarcadero as a boulevard and creating the bookend for the Ferry Plaza itself, and in that, Simon also, in his own way, always wants us to build something of great quality and so we were looking at, and you can see it in the proposed detail, a building that is made predominantly of French limestone and oiled mahogany with beautiful detailed balcony railings and wonderful texture that would help animate this site. When we look at the elevation you would have on the Embarcadero, we are breaking this into a classic three part building, with a defined base which creates a tremendous personal scale and feeling and a mass and center of four stories, hold onto a residential scale, but when you combine these things, it gives us a great vertical wall so we can define the Embarcadero. One of the details that you see is the level of animation on the street. One thing that Simon is very keen on is how we animate sidewalk for the public, especially along what is now a continuous wall and parking. The addition of the club and the brasserie that is located on the corner and the retail portion of this create a great level of animation. One of the things you notice in the elevation is that in this area we are talking about an open brasserie that dominates the corner and also allows for a great recessed indoor/outdoor space so that when the weather (mid-summer) is great we open the whole thing up to the public and when it is not as nice, we can keep it closed and heated. But it still gives us this great level of animation for the street itself, and you can see that we trade that up with a couple of floors that work well with the tree canopy. This is an idea of what it would look like further down the Embarcadero where we have the public access to the garage. What we are really doing is saying this is an important aspect of this, it is not a hidden element, it is a featured element and it provides a real identity location for people to see where they are going in and out. Just to the right of that, is the access just down the ramps of the Embarcadero that gets you into this parking garage. I will come back to this when we come back to the site plan. You can begin to see the level of the landscape and the situation of the buildings as you look up into the rest of the financial district. This is an elevation that portrays the area from the club side and the public park access, where you would have again the animation of the club itself looking out into the passageway that will link in part form to Jackson Street and we have an image of this just a little bit later that will show you how that opens up. One of the things that this is showing is how we've split the buildings so that there is a sense of division. This is not just a continuous wall of structure. It allows the southern sun to come through the buildings mid-day in the winter and help provide a lot of illumination and animation to that area. This is the image of the entry to the club itself off of Jackson Street side. This is a continuation of the sort of detailing on the ground floor that we've got with a sloping entry coming off the green space that's there. Looking out from Washington Street, we see on the right side is the anchoring corner for the Embarcadero, but rather than span the entire façade, it opens up between them and we have the residential entry recessed behind what is public open space facing to the park on Washington Street. And again, the ground floor plan, except for this recessed entry, is proposed as retail and publicly accessible space. There are condominiums on site, the dominant street façade on all sides of the property is publicly accessible and public serving. This gives you a sense of the character that we are looking to generate as part of the entry to the condominium space and it is showing beyond the public walking area and landscape. Simon, one of the things I would like to just touch back

on if I might quickly, because it was important to you, yes is this whole traffic flow. What is important here and we were trying to solve the problem of this garage which I think has taken the better part of three months, on its own, is to eliminate the parking that's currently on the Embarcadero, maintain the curb edge and turn that into a traffic slip lane. So although we are taking a little bit of parking away from that, we are providing direct access for people southbound to pull directly into a well marked indicator for this 350 car parking garage. And then, if you'll notice coming from the other direction, with a left turn onto Washington, there is an immediate access to the public parking again with the appropriate signage and this gets you into that 350 car garage. The exiting comes out onto the Embarcadero, so all of this traffic that is being used to serve the Ferry Building stays with the Ferry Building and is not introduced into the neighborhoods behind it. We thought this was an important aspect that Simon was very clear on trying to maintain for the project. And you'll notice right here, I think is the one indicator right in this zone where we have indicated how one would access that parking. This blends immediately into all signage controls already in existence on the Embarcadero. With that, I give it back to Simon.

Simon Snellgrove went on to summarize here that he and his staff had listened very carefully during the last proposal that was made by Golden Gate Center to the objections of the members of the Golden Gate Commons and members of the club had. We've met with members of the club, members of the Golden Gate Commons and we have tried to accommodate, to the greatest extent possible, their concerns. We can't do anything about losing three of their nine tennis courts. And we have also met with the club operators. It is a commercial club, it's owned by Golden Gate Center. It is not going to be our club. We are giving it back to Golden Gate Center. We are going to spend about $12 million trying to upgrade it. It is obviously for dues paying customers of the club and we are trying very hard to balance the needs of what is a private exclusive sort of environment with our desire to enhance the area for the public. What it comes down to is that the first point is that yes there is a loss of three tennis courts; however, we are taking the fitness club from the Davis building and we are increasing it from 7,000 feet to 12,000 feet. We are creating those facilities on site in the building itself. We are keeping the two outdoor pools. The previous proposal had one on the roof and one blocking Jackson Street. We are keeping the poolside changing rooms after getting feedback from the members. We are increasing the outdoor space from 17,000 to 18,000 feet. We are taking the 15 parking spaces away but giving access to the 350 parking spaces and of course, we are providing the pro shops and the juice bars and facilities. I think importantly we are asking that we can create a park, recognizing that the Port's not too enthusiastic about being given a park they have to maintain, but we would create a park that would be privately held but publicly accessible so the public can walk through Jackson Street back to the waterfront. So you can see that of the entire street level, only the white area is the area that will be utilized by the condominiums. The rest of the area is all in accordance with State Lands desires and the goal of the Waterfront Land Use Plan.

Richard Hannum further stated that the opening between the two buildings allows a greater amount of light and air around the buildings that it gives us especially coming from southbound. One of the things that we have done a great deal of work on especially on this side, is the shadow studies to make sure that we, unlike the prior project, are always clear of this park, the other parks, and in the later section, even though this isn't public zone, the buildings and the pools are placed in such a way that they receive the

greatest amount of light during the course of the year. So we have done a lot of work to balance those interests in concert with the different stakeholders. Another thing you will see, in this area, are the other open park spaces that we've gotten feedback on is opening up this to the Embarcadero. This is our entry from the Embarcadero into the parking garage and then of course our point of access for the elevators is in this location, bringing people up directly across from Piers 1 ½, 3 & 5 and then at the other end of the project, elevators are coming up right in this area at the corner of 8 Washington and so this a very short walk of a block to get down with your potatoes and groceries. This is just an additional piece which shows the animation along the Embarcadero, again, with the entry to the parking garage and the curb for the Farmer's Market parking and again here, you can see a sense of the space between the buildings look all the way up through to Market Street.

Simon Snellgrove referred to the last diagram which he put in to recall the debate that went on in the Broadway Hotel project. We wanted to be very clear for Diane (Diane Oshima), what the height is. It is 84 feet. We've pre-designed the mechanical equipment on the roof not to exceed ten feet so we could preempt any questions about is this within the zoning – yes it is. In summary, this is a summary of the benefits to the Port. If you agree and so direct the staff, we are going to be working with the staff to try to iron out a proposal. We are giving 130,000 feet of trust use. We are asking for a title to a portion of your 27, 000 feet and in exchange, the State Lands would get 130,000 square feet of public garage beneath the adjoining property on Seawall Lot 351. We would provide the public access, reconnecting the City with its waterfront street, 350 public parking spaces, off street parking for the Port, a newly publicly accessible park, visitor serving retail restaurants and cafes, 30 units of affordable housing, a major capital subsidy for the public parking. Underground parking costs about $80,000 a space as opposed to about $30,000 a space for above ground. The underground parking portion alone would be about $30 million and it will be valued once it is completed based on its income of about $15 million so there is about a $15 million dollar net give that we would be giving to the City or to the benefit of the City. And of course we would propose to reimburse all costs associated with the transaction and from the Port, we are asking for a title to a portion of the Seawall Lot, but we are not asking the Port for any public money or rent credits. And of course, the last slide we wanted to show what the project looked like for our friends from Telegraph Hill from the base of Coit Tower to put it in a context with the City. Thank you very much for listening to this dog and pony show.

Commissioner Lazarus asked if there were any questions from the Commission.

Commissioner Lazarus asked for a recap of the steps that you are going to go through and a potential time line before you will be back to the Port for any action.

Simon Snellgrove replied that his land use attorneys would be more clear about this, but as John said, we are proposing to continue the previous environmental impact review which was actually only on Block 201, so we want to expand it and continue it and so the next step is to go to the Port staff and find out if Port staff is interested in pursuing this proposal and then we would go to the Board of Supervisors to obtain a sole source agreement because it is not something that could go through an RFP process we propose. And if the Board of Supervisors agrees we would enter into negotiations with you and the

step we would like to do very quickly is to the point where we could restart the EIR proposal which would require your consent as well because it involves your land.

Acting Director Byron Rhett spoke briefly to the Commissioners regarding this last issue. He wanted to be clear that as John mentioned in his presentation, this is a concept that has been presented to staff verbally. You're hearing the concept now. We do not actually have a proposal in hand from the developer so I just want to reiterate that the first step would be to actually present a written proposal with business terms to staff that we could review and then present to you for your consideration and further direction. So you would be directing us to enter into that discussion and not necessarily beyond that because we do not have a written proposal in hand.

Commissioner Lazarus said she would now move on to the public comment. Commissioner Lazarus stated she has a number of guest cards.

Bill Benkavitch stated he has have been a resident of the Golden Gateway Center for 26 years. I wanted to say something today about parking which is a fundamental concept of this proposal. Mr. Snellgrove has stated and I went to one of his previous briefings and reiterated it here, the need for parking for the Ferry Building/waterfront area in order for the Farmer's Market to succeed and ultimately serve to enliven the waterfront. This parking vision is a 20th century vision. We are in the 21st century. We are not in Los Angeles 1956, this is San Francisco 2006. The automobile and its support systems is legacy thinking. We should look elsewhere. One of San Francisco's sister cities is Sydney, Australia. I have had the good fortune to visit Australia and have made six trips there. The waterfront in Sydney is quite similar to here, particularly the area called the Circular Key. Here's a quote from an Aussie website: "The Circular Key in Sydney is the harbor side transportation hub of the central business district. It is a major city terminal for buses, trains and ferries." They do not mention cars. Tens of thousands of people go through Circular Key every day. It is vibrant and alive. They pretty much do it without cars and parking. This proposal may seem very tempting to you. It would be easy for you to pick the low hanging fruit here. I hope the Commission will take its time and dialogue people who live here about what's best for the neighborhood before making any decision on this proposal.

Lee Radner of FOGG (Friends of Golden Gateway) said he also lives at the Golden Gateway and is the chair of the FOGG. If you just close your eyes for a moment, and imagine these two massive buildings and really over 600 parking spaces at 8 Washington, what you see is a rich person's ghetto, maximizing profits for a few to the detriment of our neighborhood. This community was not planned happenstance. It was well thought out and accepted for redevelopment with international acclaim, provided that there would be open recreational space. The parcel of 8 Washington was sold at a huge discount because there would not be any development on that site. It has stood the test of time supported by many including Dianne Feinstein, both Mayor and U.S. Senator and our own supervisor, Aaron Peskin. Every day you read in the papers families and their kids are leaving San Francisco because of 1) no affordable housing and 2) lack of support facilities like recreational space. We live in one of the most densely populated areas with the least space of open recreational space. We should not be diluting the available recreational area; we should be expanding it and not close it down for two years. Your

seawall parking lot, except for Saturdays and special events, is never filled. The historic seawall and the bay side of the Embarcadero extend at its base for 200 feet under the roadway and abuts your parking lot. At this point it is fragile and porous and these words are from your own Planning Department. Bay high tides extend all the way to Montgomery Street, making this project questionable as to safety. We are in a high risk area in event of a major earthquake. We commend Mr. Snellgrove for appearing at many community forums to present his plan. He hoped to have support from the community before proceeding. We think he now knows that this isn't going to happen and hope that this could be the final chapter in his endeavors. I thank you for the time, and as you can see the turnout on a very bad day indicates the amount of support for the open recreational space.

Edward Helfeld, a City Planner by profession and from 1987 through 1994 stated he was Executive Director of the Redevelopment Agency of San Francisco. I am a club for about ten years. And as you know, this site is in a redevelopment area. The Golden Gate Tennis and Swim Club is an extraordinary recreational facility that has for 38 years served a wide range of people, children, seniors, downtown workers and residents in the densest part of the City. It is such non-governmental institutions like Mechanics Institute, the South End Rowing Club, the Y's around the City that help achieve livability in San Francisco. Over the past 20 years, three previous proposals to develop housing on the club site have been proposed and rejected. Now, while purporting to rebuild the recreational areas after the housing is constructed, what has been offered in previous proposals drastically reduced the facilities and open space. This proposal does the same. Despite drawings with large areas colored in green, this proposal is the first that I know of that includes Port land. While the Port needs to pursue its goals, I would urge you to help preserve this valuable community recreational facility and reject the proposal. Thank you.

Robert Geering stated this was the first time he had seen this project. I have lived in the Golden Gateway Commons. I am also the architect/designer of the Golden Gateway Commons 30 years ago or so. So I am not going to have a very organized presentation because this is the first time I've seen it. I'd like to commend the developer and the architect for several things that I have written down in my little notes here that I think are really pro. The development of the Embarcadero edge, I've always felt that a parking lot along the edge of this new beautiful boulevard is kind of a waste, and so the idea of developing a street edge along the edge to me is a very good idea. I also feel that additional parking for the Ferry Building is a good idea and it is an underutilized site now and it makes sense to do that. I know that people behind me are not going to be too happy with what I'm saying, because I am one of the owner's of one of the houses in the Golden Gateway. I think also that the street activity is good. I think that the idea of splitting the building into two pieces and keeping a park and access at the end of Jackson Street is good. I do have a few problems and just as an architect and these are aesthetic problems. You know, architecture is very subjective. Some people like classical buildings, some people like modern buildings. My personal feeling is that we live in the 21st century and we shouldn't be approaching things from the 17th century. I think that from what I see and this is the first time I've seen it, what I see on the drawings here is that the building is a bit baroque, over-inflated. To me it does not tie in with the maritime nature of the Embarcadero or the Port or even the classical Ferry Building. Hopefully

this is taken as constructive criticism that the architect and developer go back to the drawing board for instance and look at other ways to do this project from the standpoint of aesthetics. Again, I think it's just sort of an inflated and overblown design.

Lloyd Root stated he lives at 440 Davis and has lived here for approximately 35 years. I was born in San Francisco, not too far away from here. I joined the Navy in November 1941 not too far away from here on Market Street. I basically grew up in the northeast quadrant of the City which is the one that was most heavily damaged by the earthquake and fire. And I remember playing in empty lots as the City built back from what it was before. We had great open space then. We are loosing open space at a rapid rate and this project will do nothing to enhance open space. I would ask you to consider very carefully what you're being asked to do. The one thing that has not been mentioned here is the concept of greed and basically, as far as I can see, the only value of this is to satisfy someone's greed. Thank you.

Diane Root said she also lived here, obviously with Mr. Root. We enjoy the openness, the space, the grass, and the children that we hear playing. We enjoy watching people on the Embarcadero. This cumbersome structure to me doesn't have any openness, any glass or space. It is just height and bulkiness and it doesn't share the invitation of keeping the children here, keeping the school, ideas of parties that go on at the Golden Gateway. It is let's just open the street of Jackson for what? I guess the people that are going to be at Pier 1 ½ and coming over through there, but there isn't that much activity in our area and to close it down with more building is going to restrict more and the traffic. I know it's going to be on the outside, but the traffic will be horrendous. So I am against it.

Ernestine Weiss stated she had been through this route before with parking garages and I won the one underneath Ferry Park. Quite frankly, it was the wisest thing to do. As far as the Ferry Marketplace, I am sorry to say but long ago, Willie Brown and I discussed it and we said that a food court is not the way to go there because the people rushing through the Ferry Building to catch the ferry going home are not going to shop here. They shop in Mill Valley where they live and they don't have to schlep the groceries and so forth and so on. A garage of 520 cars here is insane. We have Pier 27-31 going up and they wanted to put 400 cars and I fought that and thank God it was defeated. We have a zoo right now on the Embarcadero going to the Bay Bridge. We cannot take any more. We cannot absorb any more traffic. It is wild. So, going back to the Ferry Building Market Plaza, they are not doing the business during the week and I'll tell you why. The locals purchase the food on Saturday. Saturday is the big shopping day always in retail. They are not going to buy olive oil. The tourists are not going to buy olive oil and gadgets to take back to their hotel room to cook. Let's face it, they are here to have a good time. So they are going to use the restaurants, which is fine. They are doing well. But during the week, Tuesdays there is nothing going on. The locals who buy here also shop on Saturday because they work during the week. They can't shop on Tuesdays. So, the result is they are not doing the business and I am sorry to say that we predicted that a long time ago because of that. And the people who do shop on Saturday, come on Muni. I see them all the time taking their little bundles on the Muni. Those are the locals that live here. Those are the customers. You have to figure who is the customer when you're developing something. As far as the building is concerned, Simon you are very talented.

I think it is a fine architectural display. It is really beautiful with the pass through going through to the Embarcadero; however, not on this corner. I recommend it on Broadway. Broadway is a wide street where the traffic can flow better and please, put it there. Please put it there. Listen to me. I am an old pro at this and a successful one. Thank you. So listen to my advice and you will make money. You are starting at a place where you have to wreck the property. At Broadway there is nothing, no opposition. There is nothing there that you have to demolish. It is a free wheeling thing. So go ahead and locate it there. People are going to bring their packages to Broadway. It's not that far and that argument is way out of whack. People use shopping carts and they can walk. Look at them - they're getting fat and ugly because they don't get out of their cars.

Commissioner Lazarus stated that time had run out for Ms. Weiss.

Joe Wyman said it was a great honor to follow Ms. Weiss. I am a member of your NEWAG group and also a tenant of the Port of San Francisco. I work for Hornblower Cruises at Pier 3. Hornblower has been a tenant of the Port of San Francisco for 25 years and their corporate offices are in the Ferry Boat Santa Rosa which is to the rear of the Piers project. So we have had to suffer flat tires and dirty environment now for two years while the construction of those buildings has gone on. I wanted to relate to you our management concerns about Pier 3 and about parking in general. The lot, as you know, and you have probably been on that lot a couple of times, is quite full and getting even fuller. As Simon's project opens up in front of us, more of those parking spots are dedicated to Simon's tenants for a specific period of time. I guess what I am trying to say is that parking in general needs to have a comprehensive vision, a comprehensive look up and down the waterfront where landside parcels need to be looked at to provide parking for water dependent uses or for those uses that cannot provide parking out over the water. The community raised that concern with the Mills Project about the number of vehicles crossing the Embarcadero or crossing Herb Caen Way, so to give up on landside parking I think is a mistake and it should be looked at in a comprehensive manner. Thank you.

Steven McCarthy, Partner and General Manager of Prather Ranch Meat Company located in the Ferry Building next spoke. I just wanted to give a little of bit of a perspective from a business owner, a small business owner, a local business owner from that position. I am not sure what presentation everybody else who has spoken up to this point was watching, but the one that I saw really didn't show any decrease of open space. I have heard that reiterated quite a few times, but I saw the numbers actually going up rather than going down. I think it was a 1,000 square feet that was outside space and the something about a recreation facility that was almost doubled in size. So I am not quite sure where the idea has come that this would actually close down the open space. That's the first point I would like to make. The next point is that since the earthquake some years ago, much of the San Francisco waterfront has finally opened up which is why we have this building to enjoy and the waterfront up and down. There is no more hideous looking highway out front. While this waterfront in San Francisco is for all the San Francisco residents to enjoy, not just a small number that happen to live here. So, with the increased parking structure...I mean if it's 500

spaces and not the 350 that's actually in the presentation, fantastic, even better. The amount of people that live in the City that are going to come down here will go up. It will support local small businesses like my own and there will just that many more people that are able to enjoy the waterfront activities that we have down here. Again, not just the people in the neighborhood. San Francisco is prized for its waterfront availability. With the freeway coming down and the opening up of the waterfront, it is available to a lot more people and this will help more San Franciscans enjoy the waterfront. Also, the fact is that most of the businesses down here in the Ferry Building do actually do quite a good business during the week. It's not just on Saturdays that locals come down here. I can show you the numbers to prove it. We have quite a few local people that live in this neighborhood that support our business. If they didn't support our business Monday through Friday, we wouldn't still be here. We couldn't survive on Saturdays' revenues alone. It's just not the case. So I would think that more parking down in this development would enhance the vitality of the waterfront and it would continue to open it up for people throughout the City of San Francisco, not just the local residents. Thank you for your time.

Frederick Allardyce, Barbary Coast Neighborhood Association, said he wanted to thank Mr. Snellgrove and his group very much for your very professional presentation to make some changes to the neighborhood. I am here today representing the Barbary Coast Neighborhood Association as its President. The Barbara Coast Neighborhood Association is comprised of the Golden Gateway Common Residential Complex, the 101 Lombard/Telegraph Landing, Park Telegraph and Golden Gateway Commons Condominium Complexes and the various commercial owners and tenants of the Barbary Coast area. That includes over 2,000 condominiums with 3,000+ residents and over 5,000+ commercial tenants. We are here today to congratulate the Port in the various improvements the Port has made so far to the Barbary Coast area including the Herb Caen walkway, the wonderful Ferry Building and the soon to be completed Piers 1 ½, 3 & 5 project. We are here also today though to support the Friends of Golden Gateway (FOGG). It is their desire to maintain the existing use of the Golden Gateway Swim & Tennis Club. My guess is few of you as Port members were present at the hearings that the San Francisco Redevelopment Agency held in the timeframe when they awarded the rights to the Perini Land and Development Company to build the Golden Gateway Center, the Golden Gateway Commons, the Sydney Walton Park and the Golden Gateway Swim & Tennis Club. At that time, if you were to review their records and talk to the gentlemen that were part of that process, you would find that there were eight developers that proposed having the opportunity to develop that site as part of the Redevelopment Agency development that went north from Market Street all the way to Broadway. The reason that Perini won and the reason they were applauded today for what they did, was that they proposed a private park and a swim and tennis club facility that would be complimentary to the mixed use nature of the neighborhood which included the Alcoa Building, the Golden Gateway Center and the mixed use complex of the Golden Gateway Commons and its commercial component. The approval of those plans did not call for additional housing to replace the swim and tennis club at some future date. There was never any suggestion of that whatsoever. In fact, the rights to develop the Golden Gateway Swim and Tennis Club area were at a

significantly lower price than what they had to pay the Redevelopment Agency for the rest of the housing component. So it was never, never ever the intention to come back after they awarded the rights to Perini to do this to come back and change it and make it into housing. This was always to be open space recreational, just like the park. But there was a mistake made, and all the people in the Redevelopment Agency today would say that we did not zone it for that. So therefore, this is now encouraging developers to come in. This is the fourth attempt to do this, to take away this open space from the neighborhood and we are against it. We want to support FOGG to keep the neighborhood as it is. There are lots of other sites as have been explained that can be utilized in the City to develop some high rise housing. Thank you for your patience.

Nan Roth, Telegraph Hill Dwellers, said she was here today on behalf of the Telegraph Hill Dwellers to whom Mr. Snellgrove presented his proposal somewhat less than a week ago. So I will read the letter that they have written that I hope you have received copies of. "I write on behalf of the Telegraph Hill Dwellers, a non-profit community group founded in 1954, and representing over 800 residents from the Telegraph Hill, North Beach and northeast waterfront neighborhoods. Our organization has been actively involved with land use issues affecting the northeast waterfront and the Golden Gateway community since its founding in 1954. The late Robert Katz, a founding member of the Telegraph Hill Dwellers, played a leading role in the modifications to Phase III of the Golden Gateway Redevelopment Project that led to the construction of the Golden Gateway Commons in place of the originally proposed four high-rise towers, and we continue to advocate for a livable community that responds to the needs of all its resident, particularly those of children and senior citizens.

Mr. Snellgrove presented his proposal for the development of 8 Washington Street to our Planning & Zoning Committee on April 6, 2006. After careful consideration, we find that we continue to concur with the opinions previously expressed by both our organization and by Senator Dianne Feinstein and Robert L. Rumsey that the part of the proposed development site currently and previously under the jurisdiction of the Redevelopment Agency was intended only for use for recreation and open space, that this use was to be in perpetuity, and that this restriction was reflected in the original steeply discounted purchase price for this site.

Over and above the obvious benefits to the over 2,000 adults and children who reside at the Golden Gateway Apartments and the Golden Gateway Commons and enjoy the use of this facility at a very modest cost, I might say comparable to what you would pay to join the Y, one must also consider the value of this amenity to the other residents of the northeast sector of San Francisco whose recreational and open space needs are the most underserved in the city. We note that the existing Port parking facilities are only fully utilized on Saturday mornings. Working with the community to gain improvements in public transit as well as better utilization if existing parking facilities in the area can and should meet the Port's parking needs at a fraction of the cost of this proposal, $30 million to park 350 cars, in both monetary and societal

terms. We ask the Commission to carefully consider the above issues before making any decisions regarding this project."
The letter I have just read to you is signed by Vedica Puri, the Chair of the Waterfront Committee and next week she will become president of the Telegraph Hill Dwellers.

Nan McGuire, a member of the Golden Gateway Tennis & Swim Club for about the past six years stated she does not live in the development. I live on the border of Russian Hill and North Beach and about four days a week I walk 25 minutes to the club so that I can swim and try to help my back which is a chronic problem. That's enough about me. I know that you all are very interested in what happens in the City and I am sure you have read numerous times in the paper that the Mayor wants to make this a family friendly City. It is a tough challenge, but keeping the facility the way it is would be one way to help in that goal of making this a family friendly City. This facility, although it served primarily Golden Gateway residents when it opened, has about 70% of its membership who live other than in the Golden Gateway. A large number of that 70% are families who live all over the City. They come from the Richmond, the Sunset and I don't know if they come from Pacific Heights, but the point is that they come from those neighborhoods mainly with their children and although I don't have any children, I really enjoy coming there and seeing these families with their children in the pool learning how to swim and also children can come with their families and they don't have to belong to the club. They come and get lessons and learn how to swim. This is the only facility in the City of San Francisco that has two outdoor pools and is family friendly. One of the major problems with Mr. Snellgrove's proposal is that this facility will be down anywhere from 18 months to two years and all of those people will have no place to go. That's all I want to say. Thank you very much for your time. Oh, I do have a letter from Judith Robinson who was unable to come today. She is out of town and I will just give it to the secretary.

Monica St. Geme, a resident of the Golden Gate and a member of the Northeast Waterfront Advisory Group stated she is here this afternoon to ask you to consider the neighborhood and to consider the genius of the original plan of redevelopment that made this area a planned community. As others have said, this is a family community. This is open space, but it is not fowl open space. The green that we are looking at now is active daily with thousands of children every week or at least every month. In the summertime, it seems like there are thousands of children. If you have ever visited on an afternoon when the pool is full of children taking swimming lessons, tennis lessons, summer camp from 5:30 in the morning until late in the evening, until 10:00 in the evening, that area is totally utilized. Please consider this. It looks beautiful to see Jackson Street, to see the picture of Jackson Street opened up and going down to the Embarcadero, but what it would actually provide is a kind of a backyard for the 170 condominiums that will rise behind it. It will be a walkway. At present, there are two swimming pools over Jackson Street and there are tennis courts on either side. The limitation of tennis courts to six from nine will mean that that area is taken out of any opportunity for tournament play, which again provides citywide and area wide activity. So I ask you again, consider the neighborhood. And as Joe Wyman has said, let's plan for parking. Let's do a comprehensive plan. I think that is underway. I think Port

staff has worked hard. I have heard reports over the last 3-5 years. They are still working hard and when we have a comprehensive plan, we can move logically. Thank you very much.

Eula Walters. You know what my answer is to any building on that open space. I am responsible for the Ferry Park open space that we have over there today. I worked hard and tirelessly for 11 years so that that would be open space. After it became open space and was dedicated, I decided it should be put to beneficial use, so I started having first an annual Easter Egg Hunt on Ferry Park and I want you to know you are all invited, everybody here, and I have the flyers. I am going to give one to you and hope you will pass it down. It is from 1:00 to 4:00 PM this coming Sunday. We will have a bluegrass band to play for an hour, we will have a fiddle player who will be play for three hours if necessary. We will have a puppet show for the kids. We will have an entertainer who calls herself Harvey Rabbit. All these things will be happening this coming Sunday on Ferry Park and that's the grassy place open space across the street, which is between the Embarcadero Center and the Golden Gateway Center. I have lived there for 33 years. I swim every single day of my life.

Allan Brotsky a resident of the Golden Gateway Center as it is called referred to this development a Foo/Snellgrove Development because Mr. Foo, the managing partner of the Golden Gateway partnership is deeply involved in this entire development. I don't want to repeat any of the things that have been said by others. I speak here as an individual. I speak in opposition to the project for all the reasons that have been stated. I know the Commission has a difficult task. You have all these problems that you are trying to find a solution for and you're trying to get revenue for the Port and so you have a difficult task. By the way, Mike (Hardeman), I knew your dad and played tennis with him and we met once or twice. In any event, my point here is very simple. I heard your staff representative tell you about all of the regulatory obstacles that you face in getting this project approved. You've got local people, you've got the Bay Conservation and Development people, you've got the state people and you've got us. Now us is not only political opposition, I wanted you to know that there is a very good reason why all of these projects that have been proposed in the past have failed. They have been essentially faulty and legally faulty and it has not been necessary to take the developers to the mat on the legal questions, because they faltered for other meritorious reasons. But I think the Port should be aware, and you know what litigation means. It is not only expensive, it's time consuming, it delays a project and that's why I feel so strongly that you should consider an overall solution to the parking problem. This is essentially a parking project which will line the pockets of Mr. Foo and Mr. Snellgrove. But, I wanted the Commission to know that litigation is now being considered on the following issues: First, on the fact that any interference with this open space as it now exists is a breach of the covenants which accompanied the grant of the land to the developer at that time for much less than market rates. Secondly, litigation is being considered against the developer Mr. Foo

Commissioner Lazarus said she was sorry but Mr. Brodsky's time was up so if he could wrap it up very quickly please.

Mr. Brodsky then continued to state the other issues. The developer Mr. Foo has avoided real property taxes through a mechanism which we now believe is legally faulty and which may well disqualify him as a developer for this project. And finally, we are also considering litigation on the issue of the failure of Mr. Foo to maintain the residential character of the high rise apartments which were a residential project of the Redevelopment Commission and which has been breached continuously and continues to be breached by his rental of the apartments to corporate entities, not residential entities. Thank you for your attention.

James Seff stated he was a resident of Block 1 of the Golden Gateway Commons, like his neighbor and friend Bob Geering. This is the first time I have seen this proposal. I listened to Mr. Snellgrove with great interest. You did a beautiful job, a beautiful presentation, but you haven't talked to the people who live in Block 1 sir, even though you asserted twice that you had talked to people in the Golden Gateway Commons. That's our block right there to the left, the red bricks and you can see the mass that Mr. Snellgrove's project proposes. It would take a wild leap of imagination to think that that's going to enhance the neighborhood. Yes, there's much that's good about the project I think and I reiterate Mr. Geering's comments, not necessarily on the aesthetic side. I am a lawyer, not an architect, so I wouldn't presume on the aesthetics. But, it would be I think very helpful if you could talk to us and listen to our concerns before building such an edifice. You have designed a big deal project here. You have spent a lot of money and time and to now represent that you've spoken to the stakeholders as if that's a signoff, I think is a bit disingenuous, so I'm here through the commission to invite you Mr. Snellgrove, to contact Golden Gateway 1 Homeowners Association, the association most immediately effected by your project on the north side and come talk to us and hear our concerns. Initially, I would only say that if there is some way to take that big mauve mass and shrink it back some, you might not have as strenuous an opposition, and this is not a promise of course, then you would otherwise be likely to get from us and we are all terribly concerned about increased traffic and one thing that no one has mentioned so far. You know Davis Street stops at the Golden Gateway Commons at the tower and then it starts again on the other side of Washington Street. We are all very concerned that with the influx of all these new cars, the City is going to open that up and Davis Street which is presently pretty quiet, will become a thoroughfare taking traffic off of the Embarcadero. That would not be a good thing for the neighborhood. Thank you all very much for your attention.

Al Falchi, owner of the Waterfront Restaurant and a tenant for 36 years, has seen many changes on the waterfront. What I am primarily concerned about is the parking. I agree with Mr. Snellgrove we do need more parking. I have watched the parking across the street from me where the hotel was going to be built, that's full all the time. I have 12 spots for my valet and that's up to capacity. There were supposed to build I think a four story parking lot on Front and Broadway or Davis and Broadway. That won't transpire now because the hotel went down. Everybody says we should become like Sydney. Well that would be wonderful if the Muni ran on time and if it wasn't so expensive or if we had a subway like New York City. When I was president of the

Restaurant Association, we tried to get more cabs on the street so people would be like New York and take a cab rather than drive. We are entitled to 1,500 cabs in this city and there are only 1,000 on the street because the unions will not allow them. On the other hand, you can go to the Hyatt Regency right now and there is 30 cabs parked in line, but if I call one at the restaurant, it is embarrassing to tell people sit down you are going to wait half-hour for a cab. So, we are in desperate need for parking and so I know a lot of people don't like the condominiums, but you can't have everything. We need desperately to have more parking because of the Ferry Building and when Piers 1 ½, 3 & 5 opens, it is going to generate more synergy, more people and we need the parking. That's all I have to say.

Mike DeNunzio, a resident of Golden Gateway Commons for 25 years now stated he also served three years as a City Commissioner on Aging and Adult Services appointed by Mayor Brown. I presently serve on the Mayor's Council to End Chronic Homelessness. As Port Commissioners, certainly you need no instruction from anyone about the significance of the doctrine of the public trust. It predates the Magna Carta, it goes back to Justinian. There is a question of trust here. We have a trust to the fact that 30% of the population of this city is either seniors or adults with disabilities. These facilities are essential for the recreation and therapy for adults and people with disabilities. Another underserved section of our city is youth and families. These facilities again pay attention to the needs of youth and families. Again, we owe a trust for the open space that this was designed for originally. So, for these reasons, I ask you to give serious consideration to the voice that you are hearing today in opposition to this. Yes we need parking, but there needs to be a comprehensive plan for parking, and as Mr. Benkavitch said, this is a 20th century solution. We are in the 21st century and we have to look forward and I urge you to do so. Thank you.

Commissioner Lazarus thanked Mr. DeNunzio and stated she did not have any other cards. Commissioner Lazarus asked if anyone else wanted to speak on Item 6A? I believe we can conclude. Mr. Doll did you want to add anything? Commissioners? That concludes the item. Thank you.

7. NEW BUSINESS/AGENDA SETTING

Acting Director Byron Rhett addressed the Commissioners. Commissioners, as you can see we have a number of items, approximately 18 items under Agenda Setting and roughly 2/3 of those are for your next meeting. Do you have any questions regarding these items or do you have any other items you would like us to add to the agenda setting.

Commissioner Lazarus again asked the audience to please keep their conversations down in this room. Thank you.

Commissioner Lazarus then asked the Commissioners if they had any comments or questions on the forward agenda. Is there any public comment on Item 7?

8. PUBLIC COMMENT

Commissioner Lazarus asked if there was any additional public comment.

9. EXECUTIVE SESSION:

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 4:45 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS (Discussion and Action Item)

a. Property: Pier 35/39
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Pier 35: Joe Smith

b. Property: Seawall Lot 321 (Broadway at The Embarcadero)
Person Negotiating: Port: Mirian Saez, Deputy Director, Real Estate
*Central Parking: Kendra Petty

10. RECONVENE IN OPEN SESSION

At 6:15 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

10. COMMUNICATIONS

Communications to the Port Commission received from April 8, 2006 to April 11, 2006:

- From Vedica Puri regarding Proposed Development of 8 Washington Street
- From Frederick Allardyce, regarding Proposed Development of 8 Washington Street
- From Judith Robinson regarding Proposed Development of 8 Washington Street
- From Eula Walters, Invitation to attend the Sixth Annual Ferry Park Easter Egg

Hunt

11. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 5:15 p.m.

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Sue Bierman, Commissioner
Michael Hardeman, Commissioner
Wilfred Hsu, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

AGENDA
REGULAR MEETING
3:00 P.M. TUESDAY, APRIL 25, 2006
PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

DOCUMENTS DEPT.
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1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES - April 11, 2006 Meeting

3. EXECUTIVE

A. Executive Director's Report
- Regent Seven Seas Cruises Rebranding
- Citywide Security Exercise
- First Source Hiring Breakfast
- Piers 1½-3-5 Project Update

4. CONSENT

A. Request authorization to advertise the Pier 33 Roofing Project, Contract No. 2710 (Resolution No. 06-30)

5. FINANCE & ADMINISTRATION

A. Request adoption of the Port's Ten-Year Capital Plan (Resolution No. 06-31)

6. REAL ESTATE

A. Informational presentation regarding the Proposed Schedule of Special Event and Filming Fees

B. Request approval of Sublease between Port and Pier 39 Limited Partnership to Provide Emergency Egress at Pier 35 from the north apron of Pier 35. (Resolution No. 06-32)

C. Request approval of Rent Credits to Central Parking Systems, Inc. under Lease No. L-12664 (06-33)

D. Request approval of Second Amendment to Lease No. L-12628 between the Port and Aardvark Storage Unlimited, Inc., a California corporation, dba American Storage Unlimited at Seawall Lot 344 on Amador Street (Resolution No. 06-34)

7. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

  - Informational presentation regarding the License Standard Operating Procedures at the Port of San Francisco (May 9, 2006)
  - Request adoption of a Sidewalk, Airspace, and Curb space Program and associated User Rates in Fisherman's Wharf (May 9, 2006)
  - Request approval to issue a Request for Proposals for parking lots on Seawall Lots 324, 323 & 321, Davis Street & Broadway (May 9, 2006)
  - Request approval of lease with Java House at Pier 40 (May 9, 2006)
  - Request authorization to allow the use of portions of the Illinois Street and Cargo Way Rights-of-Way for bicycle lanes and to enter into a Memorandum of Understanding (MOU) with the Department of Parking & Traffic (DPT) as a division of the Municipal Transportation Agency (MTA) for the installation, use and maintenance of Bicycle Lanes on Illinois Street and Cargo Way (May 9, 2006)
  - Request approval of Memorandum of Understanding with the Entertainment Commission regarding entertainment permits on Port property (May 23, 2006)
  - Request approval of lease amendment with Pacific Marine Dining Yachts at Pier 9 (May 23, 2006)
  - Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (May 23, 2006)
  - Status Report on the Port's Annual Operating Budget for Fiscal Year 2006-07 (June 13, 2006)
  - Informational presentation regarding Broker Fees at the Port of San Francisco (Date to be Determined)
  - Informational Presentation regarding the Port and San Francisco Public Utilities Commission Clean Energy/Clean Air Plan (Date to be Determined)

- Request approval of a Memorandum of Understanding with the San Francisco Public Utilities Commission for installation of combustion turbine power facility near the end of 25th Street (also referred to as "Western Pacific Property") (Date to be determined)
- Discussions with State Lands Commission regarding the Public Trust (Date to be Determined)
- Request approval for the Port to enter into a Cost Reimbursement and Indemnification Agreement with the San Francisco Bay Area Rapid Transit District ("BART") for BART's proposed earthquake safety construction project on Port property located at the Downtown Ferry Terminal and Ferry Platform (Date to be Determined)

8. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

9. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS. Closed session pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d).

Specialty Crushing, Inc. v. City and County of San Francisco (Case No. CGC 04-437349)
Specialty Crushing, Inc. (debtor) (U.S. Bankruptcy Court, Northern District of California, Oakland Division, Chapter 11, Case No. 05-43167)
Platte River Insurance Company v. City and County of San Francisco (Case No. CGC-05-446355)

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED AND EXISTING LITIGATION MATTERS. (Discussion and/or Action Items)

Discuss and action of anticipated litigation pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d).

Number of potential cases: 1

___X___ *As Defendant*

(closed session based on facts and circumstances that might result in litigation against the City, which the City believes are not yet known to the potential plaintiff)

This session is closed to any non-City/Port representative.*

10. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

11. COMMUNICATIONS

Communications to the Port Commission received from April 7, 2006 to April 20, 2006:

- From Ken LaMance, regarding Bike Lanes on Illinois Street & Cargo Way
- From Judith Robinson, regarding 8 Washington, Golden Gateway Development
- From Lee Radner, Friends of Golden Gateway, regarding 8 Washington Development

12. ADJOURNMENT

MAY/JUNE 2006
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
May 9	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
May 23	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
June 13	**2:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine/

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

April 25, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Susan Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

From: Monique Moyer
Executive Director

Subject: Request Authorization to Advertise for Bids for the Pier 33 Roofing Project; Contract No. 2710.

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ADVERTISE FOR COMPETITIVE BIDS FOR PIER 33 ROOFING PROJECT, CONTRACT NO. 2710.

Introduction

Port staff requests Commission authorization to advertise for competitive bids for the Pier 33 Shed roofing project.

Background

The roof for the Pier 33 Shed is leaking at many locations and has fulfilled its useful life. This project will replace the Pier 33 Shed roof consisting of approximately 89,000 square feet. The project will not include repairs or replacement of the bulkhead building roof. The roof work will include replacing deteriorated wood decking, installing insulation, installing wood blocking and cant strips, placing a three-ply Class A roofing, replacing all sheet metal caps, providing new overflow drains, repairing eight clerestory structures, including replacement of damaged metal siding and broken window panes. Four new ship ladders will be installed at locations for improved, but secure, access and finally, there will be some painting and cement plaster touch-up involved. A hazardous material consultant, retained by the Port, has determined the presence of asbestos and lead paint materials on the roof. This project scope will require removal and disposal of the hazardous materials.

THIS PRINT COVERS CALENDAR ITEM NO. 4A

Port staff has applied for a BCDC permit for this project and approval of this permit is expected by June 1, 2006. An Army Corp of Engineers' permit is not needed.

Funding

The estimated cost of this project is fully funded under the Capital Facilities Maintenance budget for Fiscal Year 2006/07. The engineering estimate of the construction cost is $1,200,000, including a 10% contingency.

Schedule

The contract is scheduled to start on July 15, 2006 and expected completion is November 15, 2006.

The following is the project schedule:

Commission Approval to Advertise	April 25, 2006
Bids Due	May 31, 2006
Commission to Award	July 13, 2006
Notice to Proceed	July 15, 2006
Construction Substantial Completion	November 15, 2006

We do not anticipate any difficulties in this roofing project since the weather should not be a problem during the summer months.

Summary

Port staff requests Commission authorization to advertise for competitive bids for the Pier 33 Shed roofing project.

Prepared by: Takasumi Kojima: Project Architect
For: Edward F. Byrne, Chief Harbor Engineer

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-30

WHEREAS, the Pier 33 Shed roof is leaking at many locations and is in need of replacement; and

WHEREAS, Port staff wish to seek competitive bids for a contract to perform roof replacement and repairs to the Pier 33 Shed, which shall be known as the Pier 33 Roof Project, Contract No. 2710; and

WHEREAS, Port Engineering staff have completed design drawings and specifications for the required roof replacement and repairs; and

WHEREAS, the engineering estimate for construction costs of this project is $1,200,000; and

WHEREAS, the estimated project cost is funded by Port capital budget monies; and

WHEREAS, Port staff has applied for BCDC permits for this project and approval of these permits is expected by June 1, 2006 and the Army Corps of Engineers' permit is not needed; and

WHEREAS, in the solicitation of bids for this project, Port staff will incorporate all Human Rights Commission requirements for subcontracting goals for disadvantaged businesses; now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for the construction of Pier 33 Roofing Project, Contract No. 2710.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 25, 2006.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 20, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Port of San Francisco's 10-year Capital Plan

DIRECTOR'S RECOMMENDATION: Adopt the Port's 10-year Capital Plan

Background

As required by the City's Administrative Code 2.30 – 2.31, Port staff developed a comprehensive 10-year plan to address the Port's outstanding capital needs which is due to the Mayor and Board of Supervisors on May 1, 2006 and is expected to be adopted through Board of Supervisors legislation by August 1, 2006. This Capital Plan assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them. Our goal in developing this Capital Plan is to provide a rational, transparent basis for pursuing public funding and public/private partnerships to address the Port's looming capital crisis. The Plan identifies what many of us who work in Port facilities know from day-to-day experience: Port facilities, many of which were built 100 years ago, are reaching the end of their useful life and require major upgrades.

The Capital Plan prioritizes proposed capital needs and spending in a manner that reflects the Port's institutional values, including; 1) ensuring the safety of the public and our tenants, 2) fiscal responsibility, and 3) fulfilling the Port's mission. The Capital Plan will also help the Port identify facilities and/or piers that may be subject to eventual closure as a result of insufficient funds.

THIS PRINT COVERS CALENDAR ITEM NO. 5A

OF SAN FRANCISCO
TEL 415 274 0400 TTY 415 274 0587 ADDRESS Pier 1

This is the first time the Port has completed a comprehensive review of all its capital holdings. The Port will update this 10-year capital plan annually to reflect changes in the condition of the Port's facilities as well as changes in budget and financing assumptions. A copy of the 10-year Capital Plan can be found on the Port's website and is on file with the Port's Commission secretary.

Port Staff Presentations of the 10-year Capital Plan

Port staff brought the draft 10-year Capital Plan to the Port Commission as an information item on March 14, 2006. Since that time, Port staff have presented the Capital Plan to (1) all of the Port's Citizen Advisory Committees (CACs), (2) most members of the Board of Supervisors, (3) the SFStat Committee comprised of staff from the Mayor's Office, City Administrator, and the Controller's Office, (4) the Chamber of Commerce, and (5) the City's Capital Planning Committee. In addition, Port staff met with those tenants who requested a meeting as well as received additional information from Port tenants. We have incorporated the input we received to the Capital Plan which was primarily related to the Pier 70 cost estimates which have increased to $313 million from $252 million. We had neglected to include costs associated with the wharf substructure repairs and seismic upgrades in the draft 10-year capital plan which the Central Waterfront Advisory Group noted during our presentation to them in March.

Methodology Used to Develop the 10-year Capital Plan

The Port's Capital Database quantifies the Port's outstanding capital needs, which consist primarily of repair and replacement work required due to deferred maintenance and code compliance (mostly seismic) work. The Port database only estimates the backlog of the Port's capital projects as of 2005, or the "catch up" work; it does not currently provide any estimate of the ongoing capital renewal requirements of the Port. Estimates of how much the Port will need every year to replace capital assets that have reached the end of their operable lifespan will be incorporated into the FY 2006-07 iteration of this plan. This Capital Plan does not include all of the costs associated with upgrading a Port facility to accommodate a new use. Rather, we assumed the Port's facilities' uses would remain the same.

In order to assess all of the Port's considerable capital holdings, Port staff developed a per-unit cost methodology for many facilities, which we describe in detail in the 10-year Capital Plan. By its nature, this is an imprecise (albeit accepted) method of estimating potential costs. Where more specific cost estimates were available, often from studies by private development partners or Port engineering reports, we adjusted for inflation and used those costs instead. Whether specific or per-unit, it is important to note that all cost estimates in this capital plan are for *planning purposes only*. Before the Port commences with letting contracts for any capital work, staff will follow the standard practice of preparing detailed engineering estimates suitable for issuing a request for construction bids to complete the work. In the case of work that will be undertaken at the Port's expense (and for which funding is available), this process will conclude with formal bid estimates obtained through the Port's competitive bidding process. Where leases require tenant responsibility for capital improvements, tenants will negotiate directly with contractors to obtain the best price.

We chose to represent the Port's Capital Plan in current dollars (2006), both because the City is using this approach, and because it is standard practice, generally speaking, for long-term capital planning. Furthermore, given the current lack of funding and a myriad of other constraints, it would be difficult to escalate our Plan with any credibility.

10-year Capital Plan Findings and Recommendations

This review of the Port's capital assets resulted in the development of 671 capital projects, totaling $1.2 billion, primarily in needed seismic and deferred maintenance work.

The table below shows the Port's need distributed among the six regions of the Port waterfront in order of greatest need:

Region	Amount Needed	%
Southern	$469,654,000	38%
Northeast	251,556,000	21%
South Beach	232,113,000	19%
China Basin	110,862,000	9%
Fisherman's Wharf	65,135,000	5%
Ferry Building	56,569,000	5%
Portwide	38,000,000	3%
Other	1,388,500	<1%
Total	**$1,225,278,000**	**100%**

As illustrated above, over a third of the Port's over all need lies in its Southern waterfront. This is due to the very substantial need of the Pier 70 area, which lies within the Southern waterfront. Specifically, the Port's estimate for the Pier 70 area totals approximately $313 million, or about 26 percent of the Port's overall need.

The Port's 10-year Capital Plan identifies $415.6 million of potential funding from various sources including Port tenants, the Port's operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds. The table below illustrates the potential amounts available from identified funding sources:

Funding Source	Total 10-year Amount	Percent of Total
Tenant Responsibility	$33,918,000	2.8%
Port Operating Budget	87,620,000	7.2%
Port Revenue Bonds	85,900,000	7.0%
Development Projects	190,614,000	15.6%
Infrastructure Financing District	17,500,000	1.4%
Unfunded	809,727,000	66.0%
Total	**$1,225,279,000**	**100%**

Thus, approximately $809.7 million of the $1.2 billion in identified need are unfunded projects. These are projects for which the Port (1) does not expect to have sufficient funds to cover the estimated costs to repair and upgrade the facility, and (2) has not issued an RFP or entered into negotiations with a developer to finance the upgrades. The Capital Plan identifies several funding options to address this unmet need such as development projects and grant opportunities. The Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and the Bay Conservation and Development Corporation (BCDC).

In short, the Port will be faced with the possibility of closing up to seven piers that have the largest unfunded balances (Piers 26, 28, 33, 35, 38, 54, and portions of Piers 50 and 80) in the future if it fails to secure public funding and/or development projects to repair and replace the deteriorated infrastructure. The Port is also close to losing the historic buildings at Pier 70 due to their frail condition.

Conclusion

The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance. As described in this 10-year Capital Plan, the Port has identified $1.2 billion of repair, replacement and seismic upgrades required for the continued use of its facilities. Since these estimates are in 2006 dollars, this amount will grow with the passage of time. The 10-year Capital Plan identifies $415.6 million as funded through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district. While this capital plan also identifies policy options that the Port can pursue to fund a portion of the remaining $809.7 million in unfunded projects, the Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and BCDC. In the Port's recent experience, these hurdles can be daunting.

Port staff are requesting that the Port Commission to adopt the 10-year Capital Plan which will be updated and brought back to the Commission annually for review and approval.

Prepared by: Tina Olson, Deputy Director
Finance & Administration

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-31

WHEREAS, San Francisco's Administrative Code 2.30 – 2.31 requires City departments to submit a 10-year capital plan to the Mayor and Board of Supervisors by M ay 1, 2006; and

WHEREAS, the Port of San Francisco completed a 10-year Capital Plan that assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them; and

WHEREAS, the Port's 10-year Capital Plan identifies $1.2 billion in required repairs and seismic upgrades, and

WHEREAS, the Port's 10-year Capital Plan identifies $415.6 million to fund those repairs and seismic upgrades through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district leaving $809.7 unfunded; and

WHEREAS, the Port's 10-year Capital Plan identifies $557.2 million in policy options that the Port can pursue to fund a portion of the remaining $809.7 million in unfunded projects; and

WHEREAS, the Port will update this 10-year capital plan annually to reflect changes in the condition of the Port's facilities as well as changes in budget and financing assumptions, and now therefore be it

RESOLVED, that the Port Commission adopts the Port's 10-year Capital Plan; and be it further

RESOLVED, that the Port Commission authorizes and directs the Executive Director of the Port to submit the Port's 10-year Capital Plan to the Mayor and Board of Supervisors by May 1, 2006.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 25th, 2006.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 25, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman
Hon. Michael Hardeman
Hon. Wilfred Hsu

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation Regarding Proposed Special Event and Filming Fee Schedule

RECOMMENDATION: Informational Only - No Action Required

Background

The Port's 7 ½ miles of waterfront property is the venue for numerous special events and filming projects produced each year in the City. Among the most notable special events include Fleet Week, 4th of July Celebration and Fireworks, KFOG Kaboom, Giant's Fanfest and the S.F Gran Prix Bicycle Race.

A number of major motion pictures and television series have been produced on Port property including; The Rock, George of the Jungle, The Game, Nash Bridges and most recently The Evidence, a weekly television series that premiered in March.

The Port is also very popular with advertisers that account for the majority of still photo shoots that occur at the Port. From elegant fashion and auto ads located at Pier 7 to the more urban industrial projects shot in the Southern Waterfront, the Port offers a variety of locations sought after by creative photographers.

Until now the basic guiding principal behind setting fees for special events was found in Port Resolution No. 93-127. On September 8, 1993, the Port Commission by Resolution No. 93-127, as amended by Resolution 93-135, approved standard lease forms and leasing parameters. The approval delegated authority to the Executive Director to approve and execute leases on behalf of the Port, provided the terms of said lease meet certain leasing parameters. Contained within the 1993 delegated authority is a schedule

THIS PRINT COVERS CALENDAR ITEM NO. 6A

of business terms ("Rental Rate Schedule") for leases which can be executed by the Executive Director without Commission approval. The Rental Rate Schedule is periodically updated to reflect current market conditions. The last update to the Rental Rate Schedule was in August 2005.

Under Port Resolution No.93-127, the Port's Executive Director may enter into short-term leases/licenses, including assignments and subleases, which represent a change in use for the premises without Port Commission approval, if all of the following conditions occur:

(1) The use is tied to a specific event or project with a known end-date;

(2) The term of the lease/license does not exceed six months; provided that should the project be extended, the lease/lease is renewable for up to one year;

(3) The lease/license provides for minimum rents no lower than the range for space of the category leased as shown on the approved Rental Rate Schedule; and

(4) The lease/license involves no permanent improvements.

In Fiscal Year 04/05 special events and filming generated a combined total of $168,172 in revenues to the Port. Special events generated $153,432 and filming $14,740.

In the first 9 months of Fiscal Year 05/06 the combined total is $264,952.00. Special events generating $252,604 and filming generating $12,348.

Proposed Fee Schedule for Special Events and Filming

In order to standardize fees charged for various Port facilities, Port staff intends to establish a Special Event and Filming Fee Schedule which would be approved by the Port Commission. The schedule would be periodically updated to reflect current market conditions and submitted to the Commission for approval. The process would be similar to way staff periodically updates and submits market adjustments to the Rental Rate Schedule to the Commission for approval.

The methodology for deriving the fees described in the Proposed Special Events and Filming Fee Schedule is a combination of market research, continuous dialog with special events promoters and mostly the Port's own experience at negotiating fees. Because of the variety and unique characteristics of Port property, the Port has been able to set its own market for fees negotiated for special events and filming. The attached

public venues in the City such as various athletic events and venues managed by the Department of Parks and Recreation, film permits issued through the Film Commission, rates charged for the Concourse Exhibition Center, and the cumulative and ongoing efforts by Port staff to charge the upper limits of what the market will bear for these activities.

Attached is a schedule of proposed fees and a comparison of fees currently being charged for special events and filming at various Port locations. At no time shall the fee charged for filming or a special event at a specific premise be less than the rental rate as specified under the Rental Rate Schedule for that premises.

Prepared by: Mark Lozovoy, Assistant Deputy Director, Southern Waterfront
For: Mirian Saez, Deputy Director, Real Estate

Proposed to be effective on May 15, 2006
Minimum Fees for Special Events and Filming

	Current	Proposed
Still Photo Shoot		
Outdoor:		
Simple per day	$500.00	$1,000.00
Major per day	$1,000.00+	$2,000.00+
Indoor:		
Piers simple per day	$500.00+	$1,000.00+
Piers major per day		$2,000.00+
Pier 1 per day (Port offices - after hrs.)	$2,000.00	$2,000.00+
Pier 1 - Bayside 1-4	$2,000.00	$2,000.00
Filming		
Simple per day	$500.00	$1,000.00+
Major per day	$1,000.00	$2,000.00+
Special Events		
Athletic events (walk/run/bicycle) per day	$500.00	$1,000.00
Private event per day	$1,000.00+	$2,000.00+
Public event per day		$2,000.00+
Pier 30/32 - Entire Pier		
Private event:		
Event day	$12,500.00	$12,500.00
Set-up per day	$2,500.00	$2,500.00
Paid attendees:		
Event day	$15,000.00	$15,000.00
Set-up per day	$2,500.00	$2,500.00
Free admittance:		
Event day	$10,000.00	$10,000.00

Set-up per day	$2,500.00	$2,500.00

Partial Pier - Fee to be based on a pro-rata share of fee for entire pier.

Pier 48 – Entire Pier

Private:		
Per event day	$25,000.00	$25,000.00
Set-up per day	$2,500.00	$2,500.00
Paid attendees:		
Per event day	$35,000.00	$35,000.00
Set-up per day	$2,000.00	$2,000.00
Free admittance:		
Per event day	$20,000.00	$20,000.00
Set-up per day	$2,000.00	$2,000.00

Partial Pier - Fee to be based on a pro-rata share of fee for entire pier.

A $10,000.00 premium will be added to the rate above for New Year's Eve events.

Notes:

Minor film and photo shoots are those that require very few to no support functions, i.e.: the photographer and the subject, minimal equipment, etc.

Major film and photo shoots are those that require substantial support, i.e.: film crew, props, vehicles, generators, lighting, etc.

At no time shall the fee charged for filming or a special event at a specific facility be less than the rental rate as specified under the Rental Rate Schedule for that premises.

PORT OF SAN FRANCISCO

MEMORANDUM

April 25, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director

SUBJECT: Approval of Sublease between Port and Pier 39 Limited Partnership to Provide Emergency Egress at Pier 35 from the North Apron

DIRECTOR'S RECOMMENDATION: Approve Sublease

BACKGROUND

Pier 39 Limited Partnership ("Pier 39 LP") has been a Port tenant under Lease No. L-9707 ("Lease") since August 3, 1977. A portion of the leased premises, which Pier 39 LP uses as its nursery, is located on the northwest corner of Pier 35. This nursery area is currently in the direct pathway of natural in and out egress for the north side of Pier 35.

The Port Fire Marshal has determined that the need for emergency exiting at Pier 35 will require free and unobstructed transit through a portion of Pier 39 LP's leasehold.

The San Francisco Building Code requires that there be maintained permanent 24 hours a day, seven days a week clear paths of travel from the Pier 35 shed and bulkhead building to the "public way" on The Embarcadero in sufficient numbers and in such configurations as determined by the Code. Exiting along the north side of Pier 35 will require that a clear path of travel be established along the north apron and through a portion of the Pier 39 LP leasehold immediately adjacent and contiguous to Pier 35 and onto The Embarcadero.

The Port has already developed an exiting scheme and has created a clear path of travel. The Port has also installed panic bar equipped exit gates through the affected portion of the Pier 39 LP leasehold. However, the Port and Pier 39 LP have not documented any exiting right.

THIS PRINT COVERS CALENDAR ITEM NO. 6B

Previously, it had been thought that the need for an exiting scheme affecting a portion of the Pier 39 LP leasehold would only involve those days and times when a cruise ship or other vessel was berthed on the north side of Pier 35. With that concept in mind, the Port explored documenting an exiting right with Pier 39 LP. Pier 39 LP proposed a "cruise calls days only" sublease of the affected area to the marine terminal operator, Metropolitan Stevedore Co. Pier 39 LP's proposal was on terms and conditions unacceptable to the Port Maritime Division and the marine terminal operator. Additionally, it was determined that any agreement should be directly between the Port and Pier 39 LP.

Once it was established by the Port and the Port Fire Marshal that any required emergency exiting needed to be permanent, the concept of a "cruise call days only" sublease agreement with Metropolitan Stevedore Co. was inappropriate.

After a through analysis of numerous options, Port staff has determined that the most readily effective method of securing a permanent clear path of travel through the existing Pier 39 LP leasehold would be by means of a sublease agreement ("Sublease") between the Port and Pier 39 LP. Such an agreement would thus require the Port to sublease back from Pier 39 LP that certain portion of Pier 35 granting the Port rights across the Pier 39 LP leasehold for emergency egress.

Port staff has negotiated a Sublease with Pier 39 LP by which the Port would lease back the area of Pier 35 currently being used by Pier 39 LP for its nursery.

PROPOSED SUBLEASE

The following is an outline of basic terms and conditions to be included in the sublease with Pier 39 LP for the portion of the leased premises at Pier 35:

1. **Premises:** Approximately 241 square feet of marginal wharf located at the northwest corner of Pier 35, as shown on the attached exhibit.

2. **Use:** Emergency and vessel passenger and crew exiting for Pier 35.

3. **Term:** The Term shall commence upon Port Commission approval of a sublease fully executed by Port and Pier 39 LP, and shall expire five years thereafter of the Lease

4. **Rent**: Base Rent under the proposed Sublease shall be $1.00 per month.

RECOMMENDATION

Port staff recommends approval of the Sublease between the Port and Pier 39 LP in conformance with the terms described above.

Prepared by: Nic Dempsey, Asset Manager
For: Mirian Saez, Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-32

WHEREAS, Charter Section B 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, on August 3, 1977 the Port entered into a 65-year lease ("Lease") with Pier 39 Limited Partnership ("Pier 39 LP"), for Lease of Pier 39, the marginal wharf along The Embarcadero and a portion of Pier 35; and

WHEREAS, a portion of the leased premises is currently being used by Pier 39 LP as its nursery and is located on the northwest corner of Pier 35; and

WHEREAS, the nursery area is in the direct pathway of natural in and out egress for the north side of Pier 35; and

WHEREAS, the Port Fire Marshal has determined that the need for emergency exiting at Pier 35 will require free and unobstructed transit through a portion of Pier 39 LP's leasehold; and

WHEREAS, Port staff has determined that the most readily effective method of securing a permanent clear path of travel through the existing Pier 39 LP leasehold would be by means of a sublease agreement ("Sublease") between the Port and Pier 39 LP; and

WHEREAS, the Sublease agreement would grant to the Port rights across the Pier 39 LP leasehold for emergency and vessel passenger and crew egress; and

WHEREAS, Port staff has negotiated a Sublease with Pier 39 LP by which the Port would lease back the area of Pier 35 currently being used by Pier 39 LP for its nursery; and now, therefore, be it

RESOLVED, that the San Francisco Port Commission hereby approves the Sublease between the Port of San Francisco and Pier 39 LP, for egress space at Pier 35, incorporating the terms set forth in the Memorandum for Agenda Item 6B on April 25, 2006, and authorizes the Executive Director, in consultation with the City Attorney, to execute any further documents or take further actions as are necessary to implement the approved Sublease.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 25, 2006.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 25, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique Moyer
Executive Director

SUBJECT: Request for Approval of Rent Credits to Central Parking System, Inc. under Lease No. L-12664

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION AUTHORIZING RENT CREDITS TO CENTRAL PARKING SYSTEM, INC. UNDER LEASE NO. L-12664

BACKGROUND

On March 16, 1999, the Port Commission approved Lease No. L-12664 (hereinafter referred to as the "Lease") with Allright Cal, Inc. (predecessor in interest to current Port Tenant, Central Parking System, Inc.) for Premises located at Seawall Lots 321, 323 and 324, for use as surface parking lots. This parking lot lease opportunity was originally offered through the Port's competitive bid process. In addition to the Premises defined in the Lease, the Lease includes an option for the Port to expand the Premises locations if space north of the Ferry Building becomes available for surface parking operations. This option has been exercised by the Port on several occasions, including Piers ½, 15/17 and 27/29, and Seawall Lot (hereinafter referred to as "SWL") 351.

When the Port moved out of the Ferry Building and into Pier 1, there was a need to replace the employee parking that had originally been offered to Port employees in spaces around the Ferry Building. At that time, Port Real Estate contacted Central Parking System, Inc. (hereinafter referred to as "Central Parking"), to seek their approval to use sixty parking spaces for the Port's employee and vehicle parking at SWL 351 (The Embarcadero at Washington) for the agreed amount of $2,812.80 per month for what was anticipated to be Central Parking's actual projected net income after payment of Parking Taxes and Percentage Rent. This amount was to be repaid

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to Central Parking via a Rent Credit against their Monthly Base and Percentage Rent obligations. This arrangement was done without the benefit of a written agreement. The Port recouped the credit by charging back its costs (the Rent Credit) to the employees utilizing these spaces. The Port also used a portion of SWL 351 for Port vehicles that could not be accommodated in the twenty-five spaces rented from Hornblower Yachts, Inc. under Lease Number L-12175 at Pier 3. This arrangement was made with the approval and knowledge of Executive Director, Douglas Wong.

Subsequently, the Ferry Building developers requested the Port to provide retail parking for the Ferry Building Marketplace. The Port agreed to lease to Ferry Building Investors all of the parking at Pier ½ and SWL 351 (The Embarcadero at Washington Street). Under the agreement with Ferry Building Investors, the Port retained three designated parking spaces to be used by the executive director and Port commissioners at Pier ½ and up to ten (at any one time) visitor parking spaces at SWL 351. This resulted in the loss of all the employee and Port vehicle spaces at Pier ½ and SWL 351. As discussed below, on April 1, 2003 the Port's vehicles were moved to SWL 324 (The Embarcadero at Broadway).

In October 2004, a routine, retrospective audit of the Central Parking Leases at Pier ½ and SWL 351 by the City Auditor questioned the legality of the Rent Credits for Port employee and vehicle parking at these locations as there was no written agreement or apparent Port Commission authority to issue the Rent Credits. Accordingly, the Port Commission retroactively approved these Rent Credits in March 22, 2005 (Port Commission Resolution No. 05-22).

RENT CREDIT FOR SIXTY PARKING SPACES AT SWL 324:
Due to the loss of all Port employee and vehicle parking spaces at Pier ½ and SWL 351, the Port Real Estate Division was asked again by senior management to relocate its employee and vehicle parking. Senior management considered Piers 15/17, SWL 321 (The Embarcadero at Green Street) and SWL 324 (The Embarcadero at Broadway). Since SWL 324 was closer in proximity to Pier 1, senior management felt this area to be the preferred location. Central Parking again agreed to accommodate the Port's vehicles and employee parking needs using the same Rent Credit arrangement that the Port and Central Parking used at Pier ½ and SWL 351. The Rent Credit amount agreed to by both Port and Central Parking for use of the sixty parking spaces was $2,812.80 per month, commencing on April 1, 2003. This monthly Rent Credit arrangement will remain in effect until the Port leases SWL 324 under a new Request for Proposal process that is expected to be completed by January 2007.

To date, there has been no City Auditor review of the Central Parking Lease at SWL 324. However, in recognition of the ongoing unauthorized Rent Credits as described above, Port staff is seeking Port Commission approval to retroactively ratify the Rent Credit agreement with Central Parking regarding the Port's employee and vehicle parking at SWL 324.

RENT CREDIT FOR PIERS 27/29:
Since 1999 Central Parking has been the parking operator of five hundred and sixty-eight parking spaces at Piers 27/29. In October 2005 the Port and SF Piers 27-31, LLC entered into a six month lease for the amount of $14,544.00 per month to facilitate a soccer field at Piers 27/29. The soccer field resulted in a net loss to Central Parking of one hundred and ten parking spaces

for a period of six months. At current monthly rates, Central Parking states its economic loss is in excess of $9,000.00. However, Central Parking has agreed to cap its loss at $3,000.00 per month for three months totaling $9,000.00. As a result, Port staff request the Port Commission's approval of a retroactive Rent Credit to Central Parking in the amount of $9,000.00.

RECOMMENDATION

Port staff recommends that the Port Commission approve retroactive Rent Credits to Central Parking System, Inc. in the amount of $113,074.60 for the loss of sixty spaces at SWL 324 (The Embarcadero at Broadway) and the loss of 110 spaces at Piers 27/29 as follows:

SWL 324:	$2,812.80 x 37 months (April 2003 to April 2006) =	$104,073.60
Piers 27/29	$3,000.00 x 3 months (September 2005 to November 2005) =	9,000.00
TOTAL RENT CREDIT UNDER LEASE L-12664		$113,074.60

Prepared by: Mirian Saez, Deputy Director

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-33

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within the Port jurisdiction; and

WHEREAS, by Port Lease No. L-12664 (the "Lease") the Port leased to Allright Cal, Inc. (predecessor in interest to current Port Tenant, Central Parking System, Inc.) Seawall Lots 321, 323 and 324 in the City and County of San Francisco as surface parking lots; and

WHEREAS, the Lease includes an expansion option for surface parking North of the Ferry Building that the Port has exercised with Central Parking System, Inc. to include Piers ½, 15/17 and 27/29, and Seawall Lot 351; and

WHEREAS, Central Parking System, Inc. agreed to accommodate the Port's request to use sixty parking spaces for the Port's employee and vehicle parking at Seawall Lot 324 for the amount of $2,812.80 per month commencing on April 1, 2003 and continuing until the Port leases Seawall Lot 324 under a new Request for Proposal; and

WHEREAS, the Port staff is seeking Port Commission retroactive approval of a Rent Credit to Central Parking System, Inc. in the amount of $104,073.60 for the loss of 60 spaces at Seawall Lot 324 from April 2003 through April 2006; and

WHEREAS, the Port leased a portion of Central Parking System, Inc.'s Expansion Premises to SF Piers 27/31, LLC for use as an outdoor soccer field from October 15, 2005 to March 14, 2006 resulting in a loss of 110 parking spaces; and

WHEREAS, the Port staff is seeking Port Commission retroactive approval of a Rent Credit to Central Parking System, Inc. in the aggregate amount of $9,000.00 for the loss of 110 parking spaces to accommodate the lease with SF Piers 27-31, LLC for a soccer field at Piers 27/29; NOW THEREFORE BE IT

RESOLVED, that the San Francisco Port Commission hereby ratifies and approves retroactive rent credits in the amount of $104,073.60 for the loss of sixty parking spaces at Seawall Lot 324 and $9,000.00 for the loss of one hundred and ten parking spaces at Piers 27/29, on the terms and conditions outlined in the memorandum to the Port Commission for Agenda Item 6C of the Port Commission Meeting on April 25, 2006,

and the Port Commission authorizes the Port Executive Director, or her designee, to execute an amendment to Lease No. L-12664 with Central Parking System, Inc. effectuating the same in such form as approved by the City Attorney; and, be it

FURTHER RESOLVED, that the Port Commission authorizes the Executive Director or her designee to execute and enter into any additional documents as she deems necessary or appropriate, in consultation with the City Attorney, to consummate the transactions contemplated hereby or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 25, 2006.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

April 25, 2006

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Sue Bierman, Commissioner
Hon. Michael Hardeman, Commissioner
Hon. Wilfred Hsu, Commissioner

FROM: Monique A. Moyer
Executive Director

SUBJECT: Approval of Second Amendment to Lease No. L-12628 between the Port and Aardvark Storage Unlimited, Inc., a California corporation, dba American Storage Unlimited

DIRECTOR'S RECOMMENDATION: Approve Resolution.

BACKGROUND

On July 13, 1998, the Port entered into Lease No. L-12628 with Aardvark Storage Unlimited, Inc., dba American Storage Unlimited ("American"), as amended by a First Amendment to Lease No. L-12628 dated for reference purposes only as of June 5, 2000, for Premises located at Seawall Lot 344. The Premises for this lease are comprised of approximately 96,546 square feet of paved land for use as a mini storage facility. The current annual rent for Lease No. L-12628 is $276,164. In addition to this lease, American also has two other leases with the Port which when all combined equate to annual rent to the Port of over $727,000.00. The existing lease expired on December 31, 2004, and American is currently leasing the Premises on a month-to-month basis.

The Port has commenced construction of the Illinois Street Bridge which includes the construction of a rail and truck bridge across Islais Creek. The bridge project also requires certain re-alignment of rail lines in the vicinity of the bridge and along Amador Street. One such re-alignment of the rail lines will require the downsizing of American's premises by approximately 31,930 square feet ("Affected Area").

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In order to facilitate the rail re-alignment and to ensure a smooth vacation of the Affected Area, American began terminating the tenancies in the Affected Area (or notifying the applicable tenants of American's intent to terminate). Additionally, American had its tenants in the Affected Area sign agreements in which they guarantee to vacate the applicable storage area by May 31, 2006. In return for signing the agreement to vacate, American offered tenants in the Affected Area free rent for the months of March, April and May 2006. American has requested a rent concession be extended to American's rent obligation for the Affected Area for those same months of March, April and May 2006, which would be approximately $7,663.20 per month.

PROPOSED TERMS FOR SECOND AMENDMENT TO LEASE NO. L-12628

Lease Premises: The Leased Premises shall be reduced by 31,930 square feet of paved land (total remaining square footage: 64,616 square feet)

Base Rent: From and after the day Tenant vacates the Affected Area, the Base Rent shall be reduced from $23,013.66 per month to $15,507.84 per month.

Rent Concession: Port shall issue a Rent Concession of up to $7,663.20 per month for the months of March, April and May 2006, only if Tenant vacates the Affected Area by June 1, 2006, and after certification of same by the Port.

Other New/Updated Lease Provisions:
The lease amendment will include the following City Requirements now in effect since the original lease was executed; Health Benefits for Covered Employees, Notification on Limits on Contributions, Sunshine Ordinance, and Prevailing Wages, among others.

In addition, the Lease Amendment will be updated to include current standard lease provisions relating to use of security deposits, tenant defaults, and holdover rent, among others.

RECOMMENDATION
Port staff recommends approval of the proposed Second Amendment to Lease No. L-12628 and Rent Credit in the aggregate amount of $22,989.60 as it facilitates the re-alignment of rail lines associated with the construction of the Port's Illinois Street Bridge Project.

Prepared by: Mark Lozovoy,
Assistant Deputy Director, Southern Waterfront
For: Mirian Saez, Deputy Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 06-34

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, on July 13, 1998, the Port and Aardvark Storage Unlimited, Inc., dba American Storage Unlimited ("American") entered into Lease No. L-12628, as amended by First Amendment to Lease No. L-12628 dated for reference purposes only as of June 5, 2000, for premises located at Seawall Lot 344; and

WHEREAS, Port now desires to amend the lease to reduce the square footage of the lease premises in order to facilitate rail re-alignment along Amador Street associated with the Port's Illinois Street Bridge Project as more particularly described in the staff report ("Affected Area") ; and

WHEREAS, in reliance on American's agreement to vacate the Affected Area by June 1, 2006, Port shall issue a rent concession of up to an aggregate of $22,989.60 (up to $7,663.20 per month for the months of March, April and May 2006) only if Tenant vacates the Affected Area by June 1, 2006; and now therefore, be it

RESOLVED, that the Port Commission hereby consents to a Second Amendment to Lease No. L-12628, the terms of which are described in the staff report and are on file with the Commission secretary; and be it further

RESOLVED, that the Executive Director or her designee is hereby authorized to execute all such appropriate documentation as she deems necessary or appropriate to implement this Resolution in a form approved by the City Attorney's office, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee of any such document.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 25, 2006.

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Secretary

SAN FRANCISCO
PORT COMMISSION

APRIL 25, 2006
MINUTES OF THE MEETING

25/06

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MEMBERS, PORT COMMISSION

HON. ANN LAZARUS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. SUE BIERMAN
HON. MICHAEL HARDEMAN
HON. WILFRED HSU

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
APRIL 25, 2006

1. CALL TO ORDER / ROLL CALL

Commission President Ann Lazarus called the meeting to order at 3:10 p.m. The following Commissioners were present: Ann Lazarus, Kimberly Brandon, Sue Bierman, Michael Hardeman and Wilfred Hsu.

2. APPROVAL OF MINUTES - April 11, 2006 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Hsu seconded the motion. Commissioner Hardeman then asked to have the minutes amended and read into the record as follows:

The Communications item should be No. 10. No. 11 should be Reconvene in open session. At 5:15 p.m., the Commission withdrew from executive session and reconvened in open session. No. 12 Adjournment should read: The meeting was adjourned at 5:17 P.M.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval not to disclose any information discussed in executive session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion.

Commissioner Lazarus then asked the Commissioners to approve the minutes as amended, and all Commissioners were in favor. Minutes approved as amended.

3. EXECUTIVE

A. Executive Director's Report. Executive Director Monique Moyer reported the following:

- Regent Seven Seas Rebranding: This event occurred on Tuesday, April 18, 2006. Regent Seven Seas Cruises held a ceremony which Commissioner Lazarus attended with various Port staff to celebrate the unveiling of their new brand. Their former

name was Radisson Seven Seas Cruises. They offer voyages of exploration and discovery to over 300 ports on six continents including Antarctica. Their luxury vessels are designed for guests numbering in the 100's rather than the 1,000's. She thanked Commissioner Lazarus for participating in the event.

- Citywide Security Exercise: On Wednesday, April 19, 2006 the Port participated in the Citywide Earthquake Exercise. Byron Rhett was the acting executive director for the day. He was inundated with disaster after disaster, not the least of which apparently was that right after the engineering team called in to say that Pier 50 was beautiful, it fell into the bay. It was an excellent exercise. The purpose of the exercise was to ensure that besides those who exercise on a regular basis, there is more depth, because you don't know who is going to be where when something actually happens, so a number of Port staff that haven't participated in an exercise before, not only participated, but participated very well. A number of observers were very pleased at the Port's performance. Obviously there is always a sense of unreality to it that makes it a lot easier than probably a real event will be, but what we have learned from other divestures, other places, is that the ability to exercise goes a long way in a real incidence. The Port is pleased to participate in the exercise.

- First Source Hiring Breakfast: On Wednesday, April 12, 2006 the Real Estate Department co-sponsored with the City's Human Services Agency, the Workforce Development Division, a breakfast seminar to explain the benefits of the City's First Source Hiring program, which the City instituted in 1998 and city contracts including Port contracts, require employers to avail themselves of the First Source Hiring program. The seminar was very well attended. A lot of questions were answered and people were able to learn that the program at no cost does background checks on potential candidates, pre-qualification screening and then the employer is entitled to certain tax credits and possibly even salary reimbursements.

- Piers 1- ½ , 3 and 5 Update: There has been one event in the facility even though it is not technically open and there will be another event coming up. Staff anticipates completion of the core shell improvements at Pier 1-½, 3 and 5 in late July or early August. In September, Aperture Group will be the first occupants of the facility. They will be leasing 8,000 square feet of office space in Pier 5. San Francisco Waterfront Partners will soon be marketing the three restaurant spaces. They are already being approached by a number of restaurateurs. They hope to have the first of those restaurants opening in the winter of 2007. The project is a little bit delayed in part due to the incredible rain that we had this season. The Port has extended the deadline for completion of improvements which would include the tenant improvements to March 31, 2007. As of April 2, 2006, we are receiving base rent so the project is moving forward and kudos to all of the Port staff in both Planning & Development and Real Estate who work on the project on a regular basis and those who sit through all the noise that is generated by the construction on a daily basis.

- Vancouver Trip. On Thursday, April 20, 2006, the Port and MTC co-hosted a dinner for leading shipping lines and shippers in Vancouver, British Columbia, where a number of our shippers are located. It was also a day of shipping conference and so it made for sort of an alignment of interests. Five different shipping lines were represented and attended the dinner. Commissioner Lazarus represented the Port Commission and there were about 30 attendees. All of the attendees seemed to be very impressed with the tenor of the dinner and very good conversation and dialogue ensued. It was a very important piece of marketing for the Port. She thanked Peter Dailey, Jill Simpson and Commissioner Lazarus for their efforts in that regard.

- Fisherman's Wharf Community Benefits District. Last summer a Community Benefits District was formed by non-Port tenants and as a requirement of their by-laws and their formation, a similar district must be formed by Port tenants by the one year anniversary date. On Thursday, May 18, 2006, there will be a meeting to discuss what the Community Benefit District could do for all of the participants.

- SPUR Bay Cruise. On May 22, 2006, SPUR will have their annual membership meeting which is always a Bay cruise. It will start at Piers 1-½, 3 & 5 project with a small reception and then it will cruise the southern waterfront all the way to Hunter's Point. It is a very good opportunity for the Port to educate SPUR members and other guests as to what the southern waterfront is and can be. The cruise will go into McCovey Cove, will highlight Pier 70, Pier 80 and then of course talk also about Hunter's Point. It is a very important event for the Port.

- Rally at Pier 47. As it was well reported in the paper today that there was a rally on behalf of the salmon fishermen at Pier 47. Peter Dailey passed out some excellent pictures of the fish processing center. The pictures are also available on the web.

- Cruise Calls. On Monday, May 1, 2006 the Port will have its largest cruise ship month ever. There will be 25 cruise calls in May. Mike Nerney pointed out that's two less than the number of total cruise calls we had in 1998. In 1998, we had 27 cruise calls total and in May alone we will be having 25 cruise calls. On May 9, 2006 we will have four cruise ships in Port for 24 hours and they are all arriving during the morning commute and leaving during the evening commute. On May 8, 2006, we will be implementing Pier 27 for the first time as a cruise ship terminal and the staff has worked incredibly hard to make that happen with all of our seven regulating bodies. It has just been an incredible task. She thanked all the staff for making that happen. It will be a very busy time for the Port and she invited the Commission to come down to the waterfront and see what it means to have four ships all at once. It is the same amount of resources for the Port. She invited the public and asked them to be supportive of the Port and have patience with the Port as it welcomes all of these new visitors to the City of San Francisco.

4. CONSENT

A. Request authorization to advertise the Pier 33 Roofing Project, Contract No. 2710 (Resolution No. 06-30)

ACTION: Commission Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 06-30 was adopted.

5. FINANCE AND ADMINISTRATION

A. Request adoption of the Port's Ten-Year Capital Plan (Resolution No. 06-31)

Tina Olson, Deputy Director of Administration and Finance at the Port, indicated that Port staff met with all of the Port Citizens Advisory Committee and all but three of the members of the Board of Supervisors. Staff also presented it to SFSTAT which is the Mayor's Quarterly Forum for departments to present critical information and at that forum, representatives from the Mayor's Office, City Administrator's Office, and Controller's Office were in attendance. Staff also presented it to the Capital Planning Committee of the City which is comprised of all the department heads in the City who implement capital projects like the Port, the PUC and the Airport and Muni and DPW. Staff also presented it to the Chamber of Commerce. The presentation, however, was not calendared and presented at SPUR. Based on all those meetings and input, staff realized that when presenting the Capital Plan to the Central Waterfront Advisory Group staff neglected to include the substructure repair and seismic work related to the wharves at Pier 70. The main change that came out of the past month is that staff included those cost assessments and now Pier 70 is estimated to cost $313 Million as opposed to $252 Million. In summary, the Port is at $1.2 Billion in the estimated need, the backlog estimate for work needed to be done right now on Port property, not our projected need going forward. Staff has identified $415.6 Million to meet that need. Of the unfunded amount, which is $809.7 Million, $557.2 Million have been identified in policy options and most are development projects.

The Port is now eligible to receive funds from the state infrastructure bond. Port staff has been working hard to get the Port of San Francisco facilities eligible in the state infrastructure bond. Should it get out of the legislature and the Governor's Office and of the ballot and approved, the Port would qualify for funds for maritime facilities.

The City is also going through a capital planning effort and they have identified a ten-year schedule of general obligation bonds. There are two Recreation and Park Department bond proposals, one for June 2008. The staff who put together this plan realized that the Port shouldn't be treated any different than the Recreation and Park Department as both departments have open space. Rec & Park has agreed that the Port should be at the table to plan these bonds and would be part of the planning process. The park that has been identified at Pier 70, the Crane Cove Park, should be an eligible project for the next Recreation and Park bond. This would help in figuring out our budget and how are we going to plan our budget going forward, how many funds do we need for operating versus capital.

Staff will be updating the plan on an annual basis. Next year the projections will be included going forward. Staff already submitted this capital plan to the City to be included with the overall Citywide Capital Plan that is going to the Mayor and the Board of Supervisors. The Capital Plan Committee already adopted the plan yesterday. The Port is the only City department that took its ten-year capital plan to its Commission. Everyone else forgot to take their capital plan to their Commission.

Supervisor Peskin has requested a hearing on our ten-year capital plan at 1 p.m. on May 8, 2006 at the Government Audits and Oversight Committee. Executive Director Moyer clarified that the hearing is at Supervisor Peskin's request.

Executive Director Moyer wanted to manage our expectation that at the moment it is a "Save the Date".

Commissioner Hardeman commented that he did hear that there was a criticism that we just sort of threw all this out and then didn't really have an implementation plan. So he was glad to see that Ms. Olson brought it up.

Commissioner Lazarus asked about what the next steps would be with regard to the public/private development money that was identified and how it will be prioritized.

Tina Olson replied that staff talked about focusing on different areas of the Port that we haven't focused on such as Pier 48, Pier 50 and the ballpark parking lot, set aside a planning area, develop RFPs, and go through a planning process.

Executive Director Moyer indicated that this is not on the list of things that we have been able to use the capital plan for. This has really been very helpful to our conversations with State Lands respective to the application of the Public Trust Doctrine to the Port of San Francisco as a fairly unique jurisdiction. While that hasn't swayed them to our way of thinking, it is helpful for them to understand the magnitude of the problem and the sense that there isn't a "one size fits all" solution for the Port. It is going to take a cobbling together of multiple solutions. In answer to Commissioner Lazarus' question, when we first started talking to the Exploratorium, we basically did a mini-capital improvement plan for Piers 15-17 which then was the blueprint for our discussions with them as a developer to achieve our goals. So it is our hope that the capital plan will engender developer interest in the same format that we haven't yet seen. One of the major stumbling blocks in the southern waterfront is the fact that we haven't done the same type of planning as we have for the northern waterfront. Lot A is still under the City's General Plan intended to be wetlands, which may or may not be the right use, and Pier 48 for example is intended to be cargo support. The vision at one time was we would have containers and harbor services and that kind of stuff. As we have seen, there is not enough demand for that. We are hopeful that when we do the update a year from now, we will even know more, but I think it is important to know that our plan is we are going to use a billion dollars of someone else's money. It isn't going to be Port money, although Tina has carved out a magnanimous amount of Port money in what she categorized as funded. Any expectation that suddenly the Port is going to get wealthy and be able to fund this is exactly the trap we have been into for 50 years. We are using this documentation to look to the community of San Francisco

for assistance for policy direction. To answer the question of what is the Port ...is it one thing for seven and one-half miles, or is it multiple things and how does that funding come together. That is why the G.O. bonds for open space is really significant and there will be a multitude of other aspects.

Toby Levine, Chair of the Central Waterfront Advisory Group, indicated that she can attest that Tina Olson was at the Central Waterfront Advisory Group and gave a full presentation of the plan. The group was enthusiastic and supportive. As a result of that meeting, three people signed up to speak on the Port's behalf, but then of course they were informed that there was going to be no meeting. So, hopefully the same three will show up at the meeting on May 8th. She thought it was important that the Port keep the public involved in the various Port projects, planning projects and capital projects because if the people in the neighborhoods and along the boundaries of the Port aren't supportive, it is very easy to slip things under the blankets and forget about them. The motivating side is very important.

Secondly, she was am glad that Tina has discussed a little bit about the implementation aspect. Two items she mentioned are very important ones, but again, the Commission and the public are going to have to be hounding whoever has to be hounded to make these things actually happen. Diligence is needed. She was glad that the Port and the other City departments will be required to annually update the capital improvement plan. That would be a great tool to review and look at what's happened and what's transpired and she hopes that the staff will continue to update the Commission and the public about its accomplishments as well as its problems. She is on the board of the Community Music Center and is religious with sticking by its five-year plan. It has made an enormous difference for that organization and thinks that the Port is being very conscious of what it's trying to accomplish and keeping the staff on mark will mean more will happen that's good. She pointed out that Pier 70 is unfunded, but they are optimistic in terms of the park bonds that things will happen that will help get the buildings saved.

Commissioner Lazarus thanked all the staff that was involved for developing a roadmap for the Port and it is exciting to have staff come back a few weeks later and say that it has already served a purpose. The Commission hopes that that will be the first of many reports as to how useful this plan is. Again, she extended the Commission's appreciation to staff for putting together what is probably unprecedented and for bringing it to the Commission, twice.

ACTION: Commission Brandon moved approval to adopt the 10-Year Capital Plan; Commissioner Hardeman seconded the motion. All Commissioners were in favor; Resolution No. 06-31 was adopted.

6. REAL ESTATE

A. Informational Presentation regarding the Proposed Schedule of Special Event and Filming Fees

Mirian Saez, Deputy Director of Real Estate indicated that Executive Director Moyer tasked her with, among other things, assuring that all transactions within the Real Estate Division be transparent. To that end, she brought forth a fee structure that will serve event promoters, film projects, ad agencies and staff alike by setting forth in writing fees for use of Port property. Along the Port's 7-½ mile waterfront property, numerous special events and filming projects are produced each year. Among the most popular special events are Fleet Week, 4th of July Celebration and Fireworks, KFOG Kaboom, Giant's FanFest and the San Francisco Grand Prix Bicycle Race. A number of major motion picture and television series have also been produced along the waterfront. They include The Rock, George of the Jungle, Nash Bridges and most recently, The Evidence, a weekly television series that premiered in March. The Port is also very popular with advertisers who like to do still photo shoots along the waterfront. From elegant fashion and auto ads at Pier 70 to more urban industrial projects in the southern waterfront, the Port offers a variety of locations sought by photographers. Until now, the basic guiding principle behind setting forth these special event fees, was found in Port Resolution No. 93-127, where as amended, sets forth standard lease forms and leasing parameters including the rental rate schedule. Under the resolution, the Port's Executive Director may enter into short-term licenses which represented change of use if all of the following conditions occur: First that the use is tied to a specific event or project with a known end date, that the term of the license does not exceed months, that the license is tied to rents that are not lower than the approved rental rate schedule and that the license involves no permanent improvement to the property. Special events and filming fall into these conditions and in Fiscal Year 2005, generated a total income of $168,000 to the Port. In the first nine months of this fiscal year alone, the income from special events and filming exceed $250,000, affirming the increasing popularity of the waterfront. In order to standardize fees for various Port facilities, the Port staff intends to establish a special event and filming schedule. The methodology for deriving the proposed fees is a combination of market research, continuous dialogue with special event promoters and the Port's own experience in negotiating fees directly. The proposed fees reflect both a comparison of fees charged by other public venues in the City and managed by the Recreation and Park Department, film permits issued by the Film Commission, rates for the Concourse Exhibition Center and the ongoing efforts by the staff to charge the upper limits of what the market will bear.

As indicated in the proposed fee schedule, the Port's most popular venues include Pier 48 where a private event generates $25,000 per day and Pier 30/32 where a free admittance event generates $10,000 per day. A simple photo shoot at Pier 7 would generate $1,000 per day, whereas a major filming Fisherman's Wharf would generate $2,000+ a day. Athletic events such as runs and walks would generate $1,000 per day. Minor film and photo shoots are those that require very little support by the Port; a photographer and the subject matter, minimal equipment. Whereas, a major film and photo shoot are those that require substantial support and that impact Port property, that have film crews, props, vehicles, generators and lighting. At no time however, shall the fee charge for filming or special events at a specific facility be less than the rental rate schedule as specified under the Rental Rate Schedule that was established last August. The proposed fees are actually the rates being charged today by staff. The next steps, after vetting the proposed fees with promoters and others,

would be that the Real Estate staff will return to the Commission for final approval, hopefully on May 23, 2006.

B. Request approval of Sublease between Port and Pier 39 Limited Partnership to Provide Emergency Egress at Pier 35 from the north apron of Pier 35 (Resolution No. 06-32)

Nic Dempsey, Asset Manager for the Port of San Francisco, indicated that Pier 39 Limited Partnership has been a tenant of the Port for quite some time and their lease, as originally approved by the Port Commission, extended their southernmost boundary to the edge of the bulkhead building and a portion of the apron of Pier 35 which was at no time a problem to the Port until post-9/11 when it became incumbent upon the Port to install certain security measures at Pier 35. The installation of those security measures and the permitting of those measures on the construction that went along with that required that a new secondary exiting scheme be developed to allow for the rapid vacation of the building in the event of a fire or other disaster or a terrorist threat. Now that the Port is more popular than ever, having two ships at a time at Pier 35, staff perceived a need for additional exiting along the exterior corridor of the northern edge of Pier 35. In order to accommodate emergency and routine exiting, it would be necessary to acquire from Pier 39, approximately 241 square feet of a portion of the apron and the adjacent property on the sidewalk next to Pier 35. Staff has established that, with consultation with the City Attorney, the most direct route to achieve that would be through a sublease from our tenant back to the Port of that small portion of Pier 35 and at a nominal rate. Staff has negotiated with Pier 39, Inc. a proposed sublease and is seeking Commission's approval of a term of five years, for the premises of 241 square feet, with a use for emergency vessel passenger and crew exiting from Pier 35 and a rent of $1.00 per month. He requested Commission's approval of the sublease.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 06-32 was adopted.

C. Request approval of rent credits to Central Parking Systems, Inc. under Lease No. L-12664 (Resolution No. 06-33)

Phil Williamson, Senior Property Manager, indicated that in 1999, the Port Commission approved Lease No. L-12664 with Alright California Inc., now known as Central Parking Systems, for Premises located at Seawall Lots 321, 323 and 324 for use as surface parking lots. Generally these are the lots at the Embarcadero and Broadway and the Embarcadero at Green Street on the land side of the Embarcadero. In addition to the Premises defined in the lease itself, the lease also provided at Port Commission's direction that Central would expand as needed to accommodate Port parking asset needs and other parts of the northern waterfront. For instance, the Port from time to time had parking opportunities become available immediately, and we had to have an operator immediately, and this lease gave us a right to ask Alright to take over those operations on an as-needed basis and we can terminate that right as needed as well to get control of the property back for other needs. When the Port

vacated the Ferry Building to accommodate its historic renovation a few years ago, there was a need to relocate employee parking from the Ferry Building area to a suitable nearby location. The Port contacted Central Parking and proposed to relocate 60 Port employee parking spaces to a central parking lot at Seawall Lot 351, which is across the street from Pier 1. The arrangement with Central Parking while never formally agreed to in writing and never brought before the Commission for approval, provided that the Port would give a rent credit to Central Parking of $2,800 a month for these spaces. The Port would recoup this cost by charging its employees for parking, so basically it was a net even deal. Staff realized at some point through the help of the City auditor, that it had not formally documented the right to give this credit. In March, the Commission approved the rent credit. Since then, and after the Ferry Building reopened, the developer of the Ferry Building required additional parking for the retail needs of the Ferry Building's operations, which again necessitated the moving of Port employee parking from Seawall Lot 351 to another location. After researching possible locations, staff settled on Seawall Lot 321 at Broadway Street where the Port's employees currently park their vehicles. Again, the Port made this arrangement with Central Parking in a verbal manner and it was not documented and the Commission's permission was not formally sought. Staff is correcting that housekeeping error and asked Commission's approval of the rent credits to Central Parking for the employee parking spaces, retroactively from the inception of the use of this location in April 2003 to present and also ongoing until the Port finds a new operator for this lot through the RFP process which is scheduled to commence as soon as next month.

Mr. Williamson apprised the Commission of a situation that occurred about six months ago between the Port and the developer of the Pier 27-31 project then known as the Mills Corporation. As the Commission may be aware, there was a need for a portion of the Mills site to be used for a temporary soccer field. To accommodate that soccer field location, staff worked with Central, who was the Port's operator at the time, to displace their operations from that site in order for staff to execute a license agreement with the Mills developer. The Port received significant revenue from that agreement, in excess of $14,000 per month; however, Central's records indicate that they suffered a net loss of approximately $9,000 per month and they have asked the Port for some consideration for that business loss. Again, it was about a six month period of time which would amount to in excess of $50,000. Staff has negotiated with Central to cap their losses at $9,000 and that is the amount of additional rent credit that staff is seeking for approval today. He requested the Commission to retroactively approve rent credits to Central Parking as described. totaling $104,073.60 for 60 parking spaces at Seawall Lot 324 which dates back to April 2003, $9,000 total for impacts from the soccer field placement at Piers 27-29 and the ongoing monthly credit of $2,800 at Seawall Lot 324 to accommodate Port employee ongoing needs until the RFP is complete and a new lease is executed for that location.

Commissioner Brandon indicated that the rent credit for Seawall Lot 324 is the money that employees have paid for parking that is then being credited to the parking operator and no money will be coming out of the Port budget. Since this is already done, the Port does not have to come up with the $104,000 to pay Central Parking.

Phil Williamson replied that the Port has already paid themselves this money through employee monthly parking fees. Technically the Port has received the money. Staff will be issuing a credit to Central.

Commissioner Brandon asked if we had paid Central Parking anything. Phil Williamson replied that the Port has not yet paid them. The Port did receive the income from Port employees for that amount.

Commissioner Brandon asked why the Port has not paid anything to Central Parking in seven years. Phil Williamson answered that for a period of time the Port is giving them monthly rent credits but he couldn't recall the exact date we stopped doing that. When staff realized we needed to bring this to the Commission for approval, staff have given them a portion of that amount but would need Commission's approval to fund the rest of it and continue the arrangement until the RFP is complete.

Commissioner Brandon indicated the money was sitting in a fund that Port employees have paid that we will then give to Central Parking. Phil Williamson replied that the net effect to the Port's budget should be zero.

ACTION: Commissioner Hardeman moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were all in favor. Resolution No. 06-33 is adopted.

D. Request approval of Second Amendment to Lease No. L-12628 between the Port and Aardvark Storage Unlimited, Inc., a California corporation, dba American Storage Unlimited at Seawall Lot 344 on Amador Street (Resolution No. 06-34)

Mark Lozovoy, Assistant Deputy Director of the Southern Waterfront for the Port of San Francisco, indicated that in July 1998, the Port entered into Lease No. L-12628 with American Storage Unlimited as amended by First Amendment in June 2000 for Premises located at Seawall Lot 344. The Premises of this lease are comprised of approximately 96,546 square feet of paved land for the use of a mini-storage facility. The current rent for this lease is $276,164 per year and this lease is currently on a month-to-month basis. In addition to this lease, American also has two other leases with the Port which, when totaled, equate to an annual revenue to the Port of over $727,000 per year. The Port has commenced the construction of the Illinois Street Bridge Project, which includes the construction of a rail and truck bridge across Islais Creek. The bridge project also requires certain realignment of rail lines in the vicinity of the bridge and along Amador Street. One such realignment of the rail lines will require the downsizing of American's Premises by approximately 31,930 square feet. In order to facilitate the realignment and to ensure smooth vacation of the affected area, American has already begun terminating its tenancies in the affected area. Additionally, American had its tenants in the affected area sign agreements in which they would guarantee to vacate the Premises by May 31, 2006. In return for signing these agreements to vacate, American offered its tenants in the affected area free month rent for the months of March, April and May 2006. American has requested a rent concession to be extended also to American's rent obligation to the Port for the

affected area for those same months of March, April and May 2006, which would be $7,663.20 per month. The proposed terms to the Second Amendment revolve around three items: Basically the Lease Premises, the Base Rent and this rent concession. The Lease Premises shall be reduced by 31,930 square feet of paved land. In association with that, the base rent will also be reduced from a monthly rent of $23,013.66 per month to a new rent of $15,507.84 per month. The Port shall issue a rent concession of up to $7,663.20 per month for the three months: March, April and May 2006. This would only be issued if the area is vacated by June 1, 2006 free of all tenants.

As with all lease amendments, in addition this lease amendment will include an updating of all current standard lease provisions and all City requirements that are in effect now, and were not in effect since the original lease was first executed. Port staff recommends the approval of the proposed Second Amendment to Lease No. L-12628 and the associated rent concession in the aggregate amount of $22,989.60 because this facilitates the construction of the Port's Illinois Street Bridge Project.

Commissioner Hardeman asked about the staff's outreach efforts with regard to tenants that were unavailable. Mark Lozovoy replied that it was difficult, but he was able to reach them. These are people that are out of state that he has been having some difficulty with.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All Commissioners were in favor; Resolution No. 06-34 was adopted.

7. NEW BUSINESS/AGENDA SETTING

Executive Director Monique Moyer indicated that staff has already presented to the Commission a standardized procedure for leases. On May 23, 2006, staff would be bringing to the Commission an informational presentation of the standardized procedure for licenses, rather than on May 9, 2006. In its place, there are three items on the May 9, 2006 agenda setting calendar that are not currently listed. The first is a request for approval of the award of a Marine Structural Project. The second is to request approval for an award to a consultant to help the Port with the Emergency Operations Plan for which the interviews are in fact taking place today. The third is a request to award a contract for the Port's Physical Security Plan. Otherwise, there are a number of leasing policies on the calendar as well: the Illinois Street Bridge MOU with DPT for the bicycle lanes, which was supposed to be before you today, but unfortunately David Beaupre was called out of town unexpectedly. The MOU will also be going in front of the MTA Board.

Executive Director Moyer asked for any comments or direction from the Commission.

Commissioner Hardeman noticed that when we put the Communications portion at the end of the agenda, when the Commission reconvenes in open session, generally there is nobody in the room to comment. A member of the public brought to his attention that they would likely have to stay for a couple of hours while the Commission is in executive session before they can comment on an item e.g. the bike lanes. He thought it would be

appropriate to move the Communications section before the executive session item to give the public an opportunity to speak.

Executive Director Moyer indicated that staff copied the idea of the Communications portion of the agenda from the Board of Supervisors, which appeared right after the executive session item. She would be happy to move it right before the executive session.

Commissioner Hardeman said this was just a thought and would leave it in the hands of Executive Director Moyer.

Executive Director Moyer thought Commissioner Hardeman was right and would move it up. So far, it has been helpful for people to ask staff for a copy of the letter so they can understand the communications to the Commission. It is a good idea to move it up on the agenda in case someone ever does want to talk about it.

Executive Director mentioned that even though it's not certain yet, on May 8, 2006 the 60-day "blackout period" for the National Park Services' contract for Alcatraz expires. She is in conversations with the National Park Service as to when they would be willing to appear before the Commission to discuss their plan but it hasn't been scheduled yet. She will also invite Kate Richardson to make a presentation to the Commission on the Federal Government's GNRA concerning the Muni pier. While it's not on Port's property, it does have belated impacts. She hopes to have these items presented to the Commission in one of its upcoming meetings; however, nothing has been scheduled yet.

8. PUBLIC COMMENT

Adrian Ruyle, a tenant of the Port for 30 years, running an art studio indicated that he sent a letter to the Commission detailing their advantages to the Port as well as to the City as a whole. They have been exemplary tenants and as far as the City is concerned, as an artistic resource there are several bullet items he mentioned such as doing one of the Hearts in San Francisco and currently having a proposal for the southern waterfront art project walk which couldn't take place unless he is still a functioning member of the art community. He was suddenly blind sighted by a 30-day notice, after 30 years that he has to vacate and dismantle his studio. He feels that for a 30 year business, to get a 30-day notice, it can't survive in this time in this City and this market. He asked the Commission for an extension so that he can gracefully move out and preserve the studio.

Commissioner Bierman started to speak. City Attorney Robert Bryan reminded the Commissioners that this item is not on the calendar for discussion. It is merely a public comment.

Commissioner Bierman stated that she did not understand. City Attorney Bryan explained that Mr. Ruyle's comments were not calendared for discussion.

Commissioner Bierman asked if someone will be meeting with him to talk about this further. Executive Director Moyer's understanding is that the Real Estate division has had meetings with him and obviously will continue meet with him.

Margery Cohen, an associate of Adrian Ruyle's at Adrian Studios, indicated that she called the Port Commission office. With the Commission Secretary being on vacation, she spoke to Ms. Battaglia. She thanked her for distributing the letters. They were told that someone from the property department indicated that they were welcome to come to the Port Commission and speak in public, but were not invited or offered or advised that they could be calendared on the agenda. Adrian Ruyle has been a tenant of the Port for 30 years, at a time when deals at the Port were made on a handshake. Commissioner Bierman has a huge experience in the City from a range of service to San Francisco. The Port is a unique area and for an artist to be on the waterfront, has been an extraordinary opportunity and a tremendous privilege. Adrian was operating without the benefit of a lease. Most of the 30 years were a month-to-month basis, there was no lease. There was a lease when the Giants were going to have Pier 46, when that was determined to happen. Everyone got new leases and throughout the entire process, from the time of those leases expiring, until the time they all moved. They received information regularly and not just the rumor of the Port or the waterfront, because there is a whole other life on the waterfront away from this building that as artists they were privileged to be part of. They were always aware of what was happening. When they moved from Pier 46 where first base is now, that is where the studio was, and that's where another piece of art that Adrian is talking about displaying on the waterfront, was created. It was a gift of someone who was a tenant at South Park before it was a zillion dollar residence. When they moved to Pier 26 with the help of Mr. Dempsey and also with the personal hand of the then Executive Director, Douglas Wong, because he thought it was important to have an artist in the waterfront at a visible location. They were right at Pier 26, under the Bay Bridge, the big oval windows. They have been excellent tenants. They have caused no embarrassment to the Port. During March alone, they have had regular contact with the Port for health and civic matters. There was a fire at the Port that she discovered. The sprinkler worked, they were flooded, but the alarm did not go off. It was her and her dog who came to the pier to open the studio, and went down the street to bring the firemen there. She and Adrian called the police about the skateboarders that are not only skating all along, but also wrecking the concrete ribbon.

Commissioner Lazarus reminded the speaker of the three-minute limit and has to enforce it across the board.

Ms. Cohen added that someone has to pay attention. They are happy to leave but they can't be destroyed in the process.

Peter McLaughlin, SFPD, indicated that he is the beat officer at Fisherman's Wharf and have been for the last four years. He spoke about some of the problems that exist at the wharf from a police standpoint and a public safety standpoint. As the summer months grow near, the crowds along Jefferson Street swell greatly, especially on the weekends. Even the weekdays find thousands of people at the wharf and now he learns that there is going to be 25 cruise ships in May and that is going to add hugely to those numbers. He asked if there is anywhere else in the Bay Area or on the West coast that is a busier tourist area than Fisherman's Wharf. The way things are now, he is a beat cop and the only officer assigned to Fisherman's Wharf. If he goes home or takes the weekend off or takes his family on vacation, there is nobody assigned at the wharf. There are 20,000 people on a Saturday, Friday, and there is no officer at Fisherman's Wharf. It just becomes unruly.

There are certain individuals who show up at the wharf, knowing that there is no police presence and they come to scam the public, to make money at whatever means they can, usually by unlawful means. For example, there is a group of young guys who come over from Oakland and they do break dancing at Jefferson and Powell. What they'll do is roll out a big sheet of linoleum and cover most of the sidewalk and perform their break dancing for money. They are very good, very entertaining and a large crowd gathers, blocking the entire sidewalk. So they basically shut down the sidewalk on the north side, a big pad of cement. As a result, people are forced to walk out into the street and that means they are walking out onto the streetcar tracks. The sidewalk is closed. People cannot use the sidewalk because these guys have closed the sidewalk. He is the only one assigned to patrol the area. There are 100 people there and there are six or seven of those guys. It usually ends in a confrontation…him against the world. There are thousands of people and the situation at the wharf gets unmanageable. This is real important. This concerns public safety. He asked if the Commission can make any exceptions.

Commissioner Lazarus replied that she could not make an exception.

Executive Director Moyer explained that an exception to the three minute time limit could not be made under the City's Rules of Orders. She offered to meet with him and added that he should have met with her in the first place. She works with Captain Dudley.

Officer McLaughlin indicated that he attended this meeting with Captain Dudley's blessing.

Executive Director Moyer continued by saying that Officer McLaughlin should also meet with our Homeland Security person. She was happy to arrange this meeting and because the item was not calendared today, that is all she can offer at this time.

Officer McLaughlin said there was a ton more information involved and asked to distribute a document to the Commissioners (document given to Commission secretary).

Jeff Sears, Waterfront Carriage Service, supported Officer McLaughlin's statements. He wanted to reinforce how important it is to get more police presence down in the wharf area, not only in the Pier 41 area where he has a license for curb space with the Port, but the entire wharf. It seems to be very understaffed with police presence, especially during peak periods, weekends and after hours. The displacement of areas for street performers the last few years performing on what is now Pier 39 property has forced overcrowding at the Pier 41 area which has really increased the problem and it has become a non-family-friendly environment when it gets overcrowded with the street performers. He understands there is some regulation legislation pending with the Port that will be happening in the next few months to try to address that problem, but regulation will only be really effective with the enforcement by the Police Department and they need to have more officers along the waterfront. He asked the Commission to encourage Chief Fong and the Captain of Central Station to increase the police presence at Fisherman's Wharf.

10. COMMUNICATIONS

11. EXECUTIVE SESSION:

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

At 4:15 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS. Closed session pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d).

- *Specialty Crushing, Inc. v. City and County of San Francisco (Case No. CGC 04-437349)*
- *Specialty Crushing, Inc. (debtor) (U.S. Bankruptcy Court, Northern District of California, Oakland Division, Chapter 11, Case No. 05-43167)*
- *Platte River Insurance Company v. City and County of San Francisco (Case No. CGC-05-446355)*

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED AND EXISTING LITIGATION MATTERS. (Discussion and/or Action Items)

- *Discuss and action of anticipated litigation pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d).*
    - *Number of potential cases: 1(As Defendant)*

(closed session based on facts and circumstances that might result in litigation against the City, which the City believes are not yet known to the potential plaintiff)

12. RECONVENE IN OPEN SESSION

At 4:41 p.m., the Commission withdrew from executive session and reconvene in open session.

ACTION: Commissioner Brandon moved approval to adjourn executive session and reconvene in open session; Commissioner Hsu seconded the motion.

ACTION: Commissioner Brandon made a motion not to disclose any information obtained in closed session except to disclose that the Commissioners unanimously approved the termination of Lease No. L-9277 between the City and County of San Francisco, acting through the Port Commission, and W.F. Alber, Inc., for premises on Wharf J-7 and a term of 61 years, ending on April 30, 2036, such termination to be

effective May 1, 2006. Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

13. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting, Commissioner Hsu seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 4:43 p.m.

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